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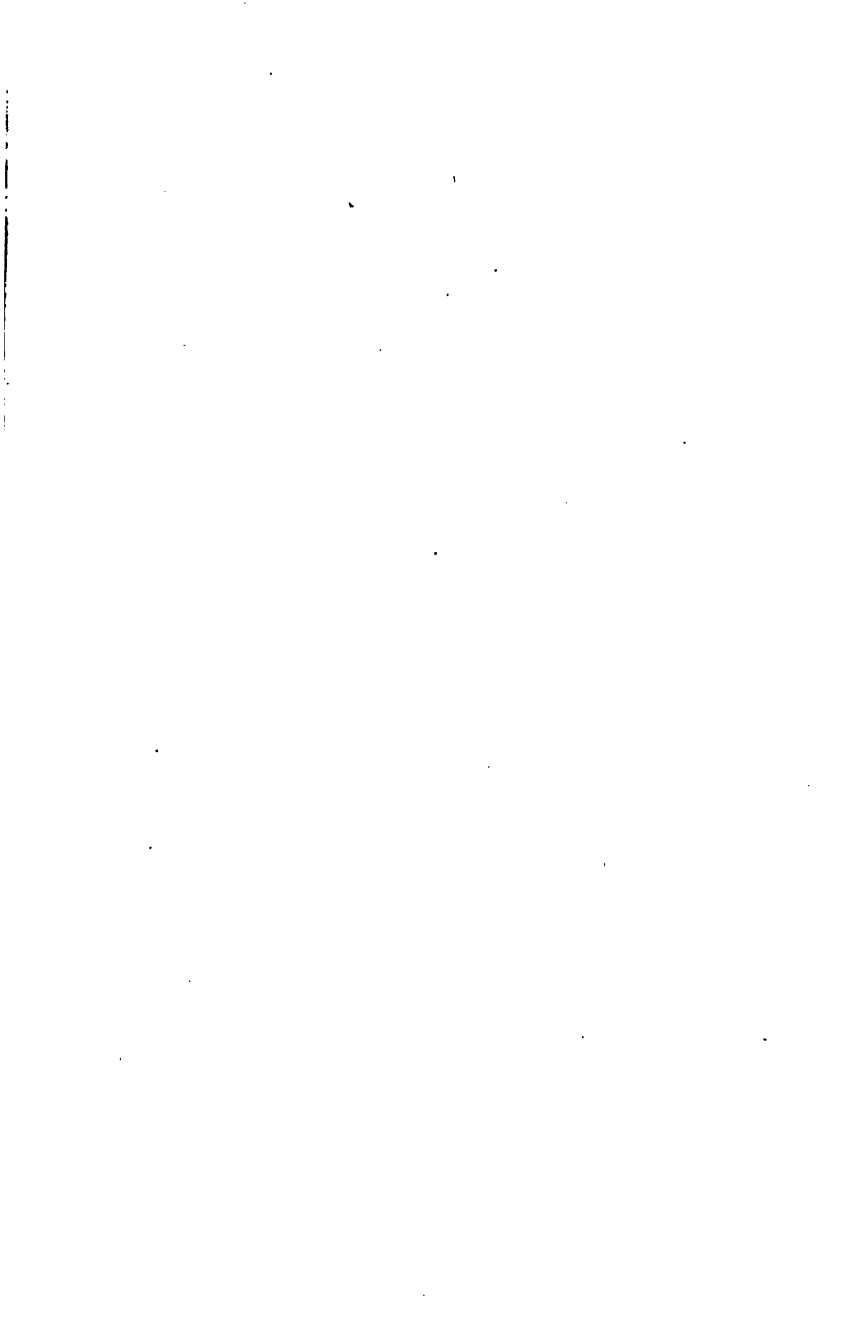
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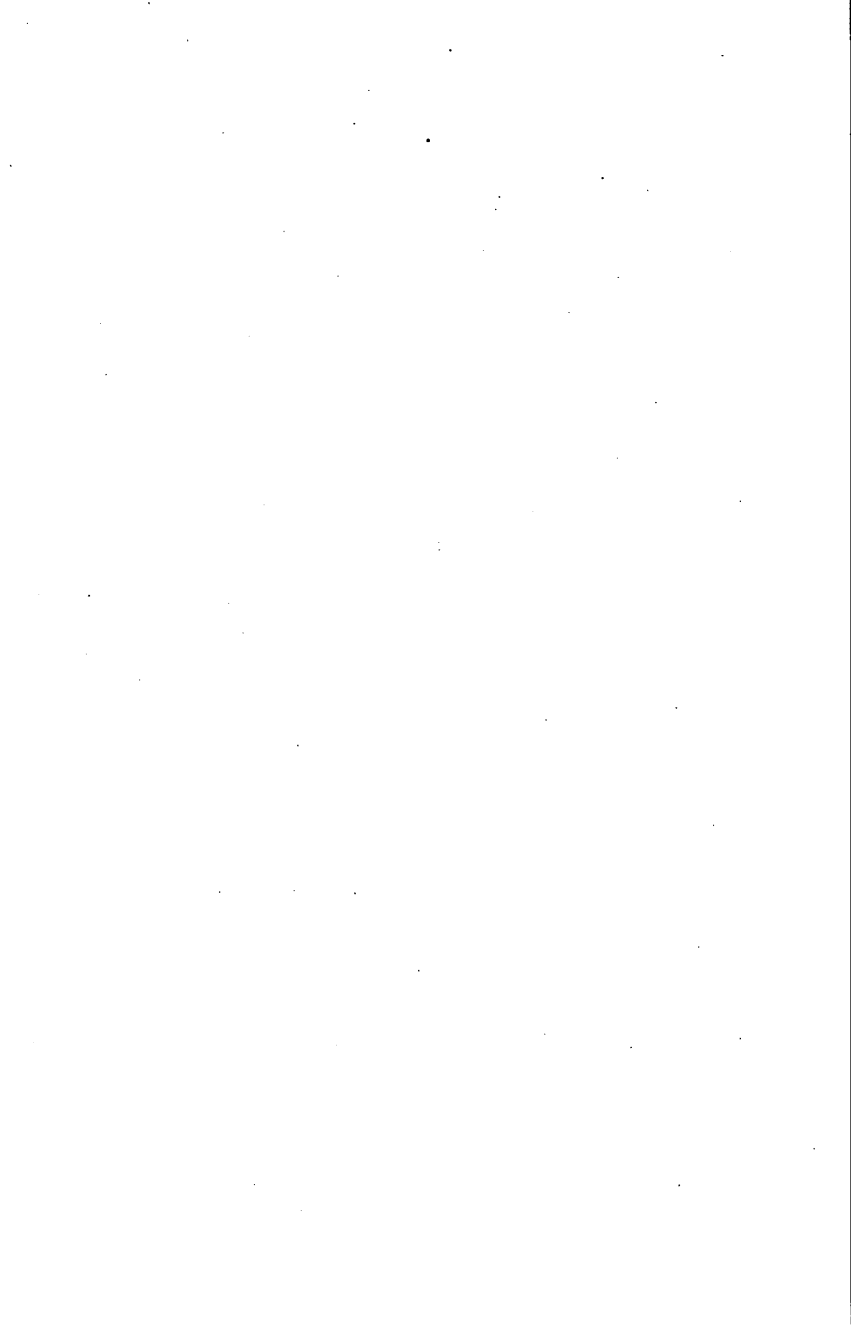




The New Revenue Law

1919

**Guaranty Trust Company
of New York**



The New Revenue Law

Revenue Act of 1918

Guaranty Trust Company of New York
140 Broadway

FIFTH AVENUE OFFICE
Fifth Avenue and 43rd Street

MADISON AVENUE OFFICE
Madison Avenue and 60th Street

LONDON OFFICES
32 Lombard Street, E. C.
5 Lower Grosvenor PLS.W.

PARIS OFFICE
Rue des Italiens, 1 and 3

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The Company.

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GUARANTY TRUST COMPANY OF NEW YORK

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Foreword

THE Revenue Bill of 1918 was reported by the Conference Committee on February 6, 1919, passed the House of Representatives on February 8, 1919, and passed the Senate on February 13, 1919 in the same form as reported. The Bill is now awaiting the signature of the President. Because of the absence of the President, some delay will be experienced in obtaining his approval. If the bill is not signed at an earlier date, it will become a law at the expiration of ten days after its receipt by him.

Owing to the interest of individuals, partnerships and corporations and business generally in the contents of this Bill, we have printed the law and summaries contained in this booklet from a copy of the Bill reported by the Conference Committee which we believe to be correct. The summaries have been carefully prepared with the view of giving the busy man an opportunity to familiarize himself with the contents of the law without the necessity of reading the bulky text.

The booklet has been so arranged that the text of each title of the law immediately follows the summary, enabling the reader to readily refer to the text for details concerning the contents of the sum-

mary. It should be borne in mind that the examples and interpretations given in the summary have been made prior to any official interpretations of the Treasury Department and although we believe them to be correct, they are subject to any changes which may be made necessary by official interpretations subsequently made.

We shall be glad to furnish copies of this booklet upon request and to render assistance in the preparation of returns.

Guaranty Trust Company of New York

February 14, 1919

Revenue Act of 1918

Title I.—General Definitions

SECTION 1. That when used in this Act—

The term "person" includes partnerships and corporations, *Person*
as well as individuals;

The term "corporation" includes associations, joint-stock *Corporation*
companies, and insurance companies;

The term "domestic" when applied to a corporation or *Domestic*
partnership means created or organized in the United States;

The term "foreign" when applied to a corporation or *Foreign*
partnership means created or organized outside the United
States;

The term "United States" when used in a geographical *United States*
sense includes only the States, the Territories of Alaska and
Hawaii, and the District of Columbia;

The term "Secretary" means the Secretary of the Treas- *Secretary*
ury;

The term "Commissioner" means the Commissioner of *Commis-*
Internal Revenue; *sioner*

The term "collector" means collector of internal revenue; *Collector*

The term "Revenue Act of 1916" means the Act entitled *Revenue Act*
"An Act to increase the revenue, and for other purposes," *of 1916*
approved September 8, 1916;

The term "Revenue Act of 1917" means the Act entitled *Revenue Act*
"An Act to provide revenue to defray war expenses, and for *of 1917*
other purposes," approved October 3, 1917;

The term "taxpayer" includes any person, trust or estate *Taxpayer*
subject to a tax imposed by this Act;

The term "Government contract" means (a) a contract *Government*
made with the United States, or with any department, bureau, *Contract*
officer, commission, board, or agency, under the United States
and acting in its behalf, or with any agency controlled by any
of the above if the contract is for the benefit of the United
States, or (b) a subcontract made with a contractor performing
such a contract if the products or services to be furnished
under the subcontract are for the benefit of the United States.

The term "Government contract or contracts made between
April 6, 1917, and November 11, 1918, both dates inclusive"

when applied to a contract of the kind referred to in clause (a) of this paragraph, includes all such contracts which, although entered into during such period, were originally not enforceable, but which have been or may become enforceable by reason of subsequent validation in pursuance of law;

Military or Naval Forces The term "military or naval forces of the United States" includes the Marine Corps, the Coast Guard, the Army Nurse Corps, Female, and the Navy Nurse Corps, Female, but this shall not be deemed to exclude other units otherwise included within such term;

Present War The term "present war" means the war in which the United States is now engaged against the German Government.

End of War For the purposes of this Act the date of the termination of the present war shall be fixed by proclamation of the President.

Title II.—Income Tax

Summary

RATES OF TAXATION

Individuals

NORMAL TAX

The rate of normal tax upon the net income of individuals is as follows:

CITIZENS AND RESIDENTS OF THE UNITED STATES

	For 1918	For 1919 and thereafter
On first \$4,000 in excess of credits	6%	4%
Balance over \$4,000	12%	8%

NONRESIDENT ALIENS

On total net income from sources within the United States in excess of credits

12%	8%
-----	----

SURTAX

Citizens and residents of the United States and non-resident aliens are also subject to a surtax which is assessed on net income (without deduction of credits) in excess of \$5,000. The rates of surtax for citizens and residents of the United States and nonresident aliens are the same. (Sec. 211-a.)

The chart on page 11 shows the rates of normal tax and surtax and the total tax on residents and citizens of the United States on certain specified amounts of net income.

SALE OF MINES, OIL OR GAS WELLS

In case of a bona fide sale of mines, oil or gas wells, or any interest therein, where the principal value was demonstrated by prospecting and exploration or discovery work done by the taxpayer, the amount of the surtax attributable to such sale is limited to 20 per centum of the selling price. (Sec. 211-b.)

INCORPORATION TO AVOID SURTAX

A corporation availed of for the purpose of preventing the imposition of the surtax upon its stockholders by the

accumulation of profits, shall be taxed in the same manner as a personal service corporation, except that such corporation shall be subject to war-profits and excess-profits tax, which shall be deducted from its net income before the computation of the proportionate share of each stockholder. (Sec. 220.)

Illustration A.—Computation of Income Tax of a Citizen of the United States Having Five Dependent Children

Gross Income		
Business	\$35,000	
Dividends	5,000	
Interest ("Tax-Free Bonds")	1,000	
Interest (Liberty Bonds, taxable)	1,000	
Rents	5,000	
Estate of John Doe	<u>3,000</u>	
Total		\$50,000
Deductions		
Business Expenses	\$5,000	
Losses	2,000	
Depreciation	500	
Bad Debts	1,000	
Real Estate Taxes	<u>500</u>	
Total		9,000
Net Income, subject to Surtax		\$41,000
Credits		
Dividends	\$5,000	
Personal Exemption	2,000	
Exemption, five dependent Children	1,000	
Interest on Liberty Bonds	<u>1,000</u>	
Total		9,000
Income subject to Normal Tax		\$32,000
Normal Tax		
\$4,000 at 6%		\$240
28,000 at 12%		<u>3,360</u>
Total Normal Tax		\$3,600
Less 2% Tax withheld on "Tax Free" Bonds		20
Balance Normal Tax		\$3,580
Surtax on \$41,000		3,600
Total Tax		\$7,180

INCOME TAX CHART

Based on the Revenue Act of 1918

(Chart shows the tax payable by a married person, but does not take cognizance of the \$200 exemption for each dependent child)

**Net Income	Rate of Normal Tax	Rate of Surtax	Amount Subject to Surtax between Change of Rates		Amount of Normal Tax	Amount of Surtax on Installments	Total* Surtax	Total Tax
\$3,000	6%				\$60			\$60
4,000	6%				120			120
5,000	6%				180			180
6,000	6%	1%	\$5,000 to	\$6,000	240	\$10	\$10	250
8,000	12%	2%	6,000 "	8,000	480	40	50	530
10,000	12%	3%	8,000 "	10,000	720	60	110	830
12,000	12%	4%	10,000 "	12,000	960	80	190	1,150
14,000	12%	5%	12,000 "	14,000	1,200	100	290	1,490
16,000	12%	6%	14,000 "	16,000	1,440	120	410	1,850
18,000	12%	7%	16,000 "	18,000	1,680	140	550	2,230
20,000	12%	8%	18,000 "	20,000	1,920	160	710	2,630
22,000	12%	9%	20,000 "	22,000	2,160	180	890	3,050
24,000	12%	10%	22,000 "	24,000	2,400	200	1,090	3,490
26,000	12%	11%	24,000 "	26,000	2,640	220	1,310	3,950
28,000	12%	12%	26,000 "	28,000	2,880	240	1,550	4,430
30,000	12%	13%	28,000 "	30,000	3,120	260	1,810	4,930
32,000	12%	14%	30,000 "	32,000	3,360	280	2,090	5,450
34,000	12%	15%	32,000 "	34,000	3,600	300	2,390	5,990
36,000	12%	16%	34,000 "	36,000	3,840	320	2,710	6,550
38,000	12%	17%	36,000 "	38,000	4,080	340	3,050	7,130
40,000	12%	18%	38,000 "	40,000	4,320	360	3,410	7,730
42,000	12%	19%	40,000 "	42,000	4,560	380	3,790	8,350
44,000	12%	20%	42,000 "	44,000	4,800	400	4,190	8,990
46,000	12%	21%	44,000 "	46,000	5,040	420	4,610	9,650
48,000	12%	22%	46,000 "	48,000	5,280	440	5,050	10,330
50,000	12%	23%	48,000 "	50,000	5,520	460	5,510	11,030
52,000	12%	24%	50,000 "	52,000	5,760	480	5,990	11,750
54,000	12%	25%	52,000 "	54,000	6,000	500	6,490	12,490
56,000	12%	26%	54,000 "	56,000	6,240	520	7,010	13,250
58,000	12%	27%	56,000 "	58,000	6,480	540	7,550	14,030
60,000	12%	28%	58,000 "	60,000	6,720	560	8,110	14,830
62,000	12%	29%	60,000 "	62,000	6,960	580	8,690	15,650
64,000	12%	30%	62,000 "	64,000	7,200	600	9,290	16,490
66,000	12%	31%	64,000 "	66,000	7,440	620	9,910	17,350
68,000	12%	32%	66,000 "	68,000	7,680	640	10,550	18,230
70,000	12%	33%	68,000 "	70,000	7,920	660	11,210	19,130
72,000	12%	34%	70,000 "	72,000	8,160	680	11,890	20,050
74,000	12%	35%	72,000 "	74,000	8,400	700	12,590	20,990
76,000	12%	36%	74,000 "	76,000	8,640	720	13,310	21,950
78,000	12%	37%	76,000 "	78,000	8,880	740	14,050	22,930
80,000	12%	38%	78,000 "	80,000	9,120	760	14,810	23,930
82,000	12%	39%	80,000 "	82,000	9,360	780	15,590	24,950
84,000	12%	40%	82,000 "	84,000	9,600	800	16,390	25,990
86,000	12%	41%	84,000 "	86,000	9,840	820	17,210	27,050
88,000	12%	42%	86,000 "	88,000	10,080	840	18,050	28,130
90,000	12%	43%	88,000 "	90,000	10,320	860	18,910	29,230
92,000	12%	44%	90,000 "	92,000	10,560	880	19,790	30,350
94,000	12%	45%	92,000 "	94,000	10,800	900	20,690	31,490
96,000	12%	46%	94,000 "	96,000	11,040	920	21,610	32,650
98,000	12%	47%	96,000 "	98,000	11,280	940	22,550	33,830
100,000	12%	48%	98,000 "	100,000	11,520	960	23,510	35,030
150,000	12%	52%	100,000 "	150,000	17,520	26,000	49,510	67,030
200,000	12%	56%	150,000 "	200,000	23,520	28,000	77,510	101,030
300,000	12%	60%	200,000 "	300,000	35,520	60,000	137,510	173,030
500,000	12%	63%	300,000 "	500,000	59,520	126,000	263,510	323,030
1,000,000	12%	64%	500,000 "	1,000,000	119,520	320,000	583,510	703,030
Over 1,000,000	12%	65%						

*Total Surtax is the total of the installments for the income considered.

**Exemption \$2,000. No allowance is made for credit for dividends or interest on Liberty Bonds, if any, included in net income.

Corporations

(Other than Personal Service Corporations)

DOMESTIC CORPORATIONS

On total net income in excess of credits, 12 per centum for 1918 and 10 per centum thereafter. (*Sec. 230.*)

Illustration B.—Computation of Income Tax of Domestic Corporations

Gross Income

Business	\$275,000
Dividends, Domestic Corporations	15,000
Interest Liberty Bonds (taxable)	5,000
Rents	5,000
	<hr/>
Total	\$300,000

Less Deductions

Expenses of Business	\$30,000
Dividends	15,000
Expenses, Rented Property	1,000
Depreciation	4,000
	<hr/>
Total	50,000

Net Income subject to War-Profits and Excess Profits Tax	<hr/> \$250,000
---	-----------------

Less Credits

Interest on Liberty Bonds	\$5,000
War-Profits and Excess-Profits Tax (<i>see</i> Illustration C, page 82)	101,600
Specific Credit	2,000
	<hr/>
Total	108,600

Income subject to Income Tax at 12%	<hr/> \$141,400
-------------------------------------	-----------------

Income Tax	\$16,968
War-Profits and Excess-Profits Tax	101,600
	<hr/>
Total Tax	\$118,568

FOREIGN CORPORATIONS

On net income from sources within the United States, in excess of credits, 12 per centum for 1918 and 10 per centum thereafter. (*Sec. 230 and Sec. 233-b.*)

TRANSPORTATION COMPANIES

For the purpose of the Act of March 21, 1918, placing transportation systems under Federal control, five-sixths of the corporation income tax for 1918 and four-fifths of the tax for subsequent years shall be treated as levied by an amendment to the Revenue Act of 1917. (*Sec. 230.*)

FISCAL YEAR WITH DIFFERENT RATES

FISCAL YEAR ENDING IN 1918

If the return is made for a fiscal year beginning in 1917 and ending in 1918, the tax for the first taxable year shall be the sum of:

(1) The same proportion of a tax for the entire period computed under the Act of 1916 and the Act of 1917 which the portion of such period falling within the calendar year 1917 is of the entire period, and (2) the same proportion of a tax for the entire period computed under the present law at the rates for the calendar year 1918 which the portion of such period falling within the calendar year 1918 is of the entire period.

In the case of a personal service corporation the amount to be paid shall be only that specified in clause (1).

Any amount heretofore or hereafter paid on account of the tax imposed for such fiscal year by the Act of 1916 and the Act of 1917 shall be credited towards the payment of the tax imposed for such fiscal year by this Act, and if the amount so paid exceeds the amount of such tax imposed by this Act, or, in the case of a personal service corporation the amount specified in clause (1), the excess shall be credited or refunded. (*Sec. 205-a.*)

FISCAL YEAR ENDING IN 1919

If return is made for a fiscal year beginning in 1918 and ending in 1919, the tax for such fiscal year shall be the sum of:

(1) The same proportion of a tax for the entire period computed at the rates specified for the calendar year 1918

which the portion of such period falling within the calendar year 1918 is of the entire period, and (2) the same proportion of a tax for the entire period computed at the rates specified for the calendar year 1919 which the portion of such period falling within the calendar year 1919 is of the entire period. (Sec. 205-b.)

RATES APPLICABLE TO PARTNERSHIP PROFITS

If a partnership makes a return for the fiscal year beginning in 1917 and ending in 1918 or beginning in 1918 and ending in 1919

- (1) The rates for the calendar year in which such fiscal year begins shall apply to an amount of each partner's share of the partnership net income (determined under the law applicable to such calendar year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year.
- (2) The rates for the calendar year in which such fiscal year ends shall apply to an amount of each partner's share of such partnership net income (determined under the law applicable to such calendar year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year.

The amount specified in clause one, in the case of a personal service corporation, with respect to a fiscal year beginning in 1917 and ending in 1918 is not subject to normal tax.

PARTS OF INCOME SUBJECT TO RATES FOR DIFFERENT YEARS

Whenever parts of a taxpayer's income are subject to rates for different calendar years, the part subject to the rates for the most recent calendar year shall be placed in the lower brackets of the rate schedule for such year, the part subject to the rates for the next preceding calendar year shall be placed in the next higher brackets of the rate schedule applicable to that year, and so on until the entire net income has been accounted for. In determining the income, any deductions, exemptions or credits of a kind not plainly and properly chargeable against the income taxable at rates for a preceding year shall first be applied against the income subject to rates for the most recent calendar year, but any balance thereof

shall be applied against the income subject to the rates for the next preceding year or years until fully allowed. (Sec. 206.)

NET INCOME

NET INCOME DEFINED

Net income of a corporation, partnership, fiduciary, or individual shall be determined by deducting from the gross income reported, the amount of deductions allowed under the law. (Secs. 212 and 232.) In this connection, deductions should not be confused with credits which are treated separately.

COMPUTATION

The 1918 law provides that net income shall be computed in accordance with the method of accounting which is regularly employed by the taxpayer. Thus the computation may be made either on the basis of receipts and disbursements or on an accrual basis, depending upon the method of bookkeeping employed by the taxpayer. If no such method is employed, or if the method employed does not clearly reflect the income, the Commissioner shall require the computation to be made on a basis which does clearly reflect the income. (Sec. 212.) Unless properly accounted for under a different method of accounting, income shall be included in the return for the year in which received by the taxpayer. (Sec. 213.)

The term "paid" for the purposes of the deductions and credits allowed means "paid or accrued" or "paid or incurred," and the terms "paid or incurred" and "paid or accrued" are to be construed according to the method of accounting followed by the taxpayer. (Sec. 200.)

INVENTORIES

Whenever the Commissioner considers the use of inventories necessary for the determination of the income of the taxpayer, such inventories shall be taken by the taxpayer upon such basis as the Commissioner may prescribe as conforming to the best accounting practice in the particular trade or business, and as most clearly reflecting the income. (Sec. 203.)

GROSS INCOME

INCOME TO BE REPORTED

Returns of income of individuals, partnerships and corporations, shall include all gains, profits and income derived from

- (1) salaries, wages, or compensation for personal service of whatever kind and in whatever form paid;
- (2) professions, vocations, trades, businesses, commerce or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property;
- (3) interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, and
- (4) any other source, whatever, not specifically made exempt. (Sec. 213).

INSURANCE COMPANIES

Gross income of a life insurance company shall not include such portion of any actual premium received from any individual policyholder as is paid back or credited to or treated as an abatement of premium of such policyholder within the taxable year. Mutual marine insurance companies shall include in gross income gross premiums collected and received less amounts paid for reinsurance.

NONRESIDENT ALIENS AND FOREIGN CORPORATIONS

Nonresident aliens and foreign corporations are required to report only income derived from sources within the United States, including interest on bonds, notes or other interest-bearing obligations of residents, corporate or otherwise, and dividends from resident corporations and including also profits derived from the manufacture or disposition of goods within the United States. (Sections 213-c and 233-b.)

INCOME EXEMPT

The following income is not subject to tax and should not be reported in the return of the taxpayer:

- (1) Proceeds of life insurance policies paid upon the death of the insured to individual beneficiaries or to the estate of the insured;
- (2) The amount received by the insured as a return of premiums paid by him under life insurance, endowment or annuity contracts, either during the term or at the maturity of the term, or upon surrender of the contract;

- (3) The value of property acquired by gift, bequest, devise or descent; (the income from such property, however, shall be included in gross income.)
- (4) Interest upon the obligations of a state, territory, or any political subdivision thereof, or the District of Columbia;
- (5) Interest on securities issued under the provisions of the Federal Farm Loan Act of July 17, 1916;
- (6) Interest upon bonds issued by the War Finance Corporation, only if and to the extent provided in the Act authorizing the issue thereof;
- (7) Interest upon obligations of the United States or its possessions; (in the case of obligations of the United States issued after September 1, 1917, the interest is exempt only if and to the extent provided in the act authorizing the issue thereof as amended and supplemented);
- (8) Income of foreign governments received from sources within the United States;
- (9) Amounts received through accident or health insurance, or under workmen's compensation acts, as compensation for personal injuries or sickness, plus the amount of any damages received whether by suit or agreement, on account of such injuries or sickness;
- (10) Income derived from any public utility or the exercise of any essential governmental function accruing to any state or territory or any political subdivision thereof or to the District of Columbia, or income accruing to the government of any possession of the United States or any political subdivision thereof. No tax shall be levied upon the income derived from the operation of a public utility acquired, constructed, operated or maintained under a contract entered into in good faith prior to September 8, 1916, by any state or territory or political subdivision thereof, or the District of Columbia, if such payment will impose a loss or burden upon such state, territory, or political subdivision thereof, or the District of Columbia. This provision is not intended to confer upon any person any financial gain or exemption, or to relieve such person from the payment of tax upon the part or portion of such income to which such person is entitled under such contract;
- (11) Salary or compensation not in excess of \$3,500 received from the United States during the present war for active service in the military or naval forces of the United States. (Sec. 213.)

EXEMPT CORPORATIONS

Corporations exempt from income tax, including labor, agricultural, horticultural and fraternal societies, mutual

savings banks, social clubs, Federal land banks, and other organizations, are listed in Section 231 (page 65). Personal service corporations, listed in Section 231 as exempt from the corporation income tax, are subject to income tax in the same manner as partnerships.

DEDUCTIONS

Individuals

In determining the net income of an individual, the following items should be deducted from gross income (Sec 214.):

BUSINESS EXPENSES

Ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business.

INTEREST

Interest paid or accrued within the taxable year on indebtedness, except that incurred or continued to purchase or to carry obligations or securities (other than obligations of the United States issued subsequent to September 24, 1917) the interest upon which is wholly exempt from income tax. A nonresident alien may deduct that proportion of such interest which his gross income from sources within the United States bears to his gross income from all sources.

TAXES

Taxes paid or accrued within the taxable year imposed as follows:

- (a) By the authority of the United States, except income, war-profits and excess-profits taxes;
- (b) By authority of any of its possessions, except income, war-profits and excess-profits taxes paid during the taxable year which are allowed as credits against the tax (page 31);
- (c) By authority of any state or territory or any subdivision thereof, exclusive of those assessed against local benefits;
- (d) In the case of a citizen or resident of the United States, by authority of any foreign country, except the amount of income, war-profits and excess-profits taxes paid to such foreign country which is allowed as a credit against the tax (page 31);
- (e) In the case of a nonresident alien, by authority of a foreign country, upon property or business (except income, war-profits and excess-profits taxes and taxes assessed against local benefits).

LOSSES

- (a) Losses sustained during the taxable year, in trade or business, which are not compensated for by insurance or otherwise;
- (b) Losses sustained during the taxable year and not compensated for by insurance or otherwise, if incurred in transactions entered into for profit though not connected with the trade or business. In the case of a nonresident alien, this deduction applies only to transactions within the United States;
- (c) Losses sustained during the taxable year, though not in business or trade, from fires, storms, shipwreck or other casualty, or from theft, if not compensated for by insurance or otherwise. In the case of a nonresident alien, this deduction applies only to property within the United States.

BAD DEBTS

Bad debts ascertained to be worthless and charged off within the taxable year.

DEPRECIATION

A reasonable allowance for exhaustion, wear and tear of property used in the trade or business, including a reasonable amount for obsolescence.

AMORTIZATION

A reasonable deduction for the amortization of such parts of the cost of buildings, machinery, equipment or other facilities, constructed, erected, installed or acquired on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war, and of vessels constructed or acquired on or after such date for transportation purposes contributing to the war, as has been borne by the taxpayer, not including any amount otherwise allowed as a deduction in computing net income. Reexamination of the return by the Commissioner may be made any time within three years after the end of the war, and this deduction reviewed and corrected if found incorrect.

DEPLETION

A reasonable allowance for depletion, and for depreciation of improvements, in the case of mines, oil and gas wells, other natural deposits, and timber, may be taken according to the peculiar conditions of each case, based upon cost, including cost of development not otherwise deducted.

In case of such properties acquired prior to March 1, 1913, the fair market value as of that date shall be taken in lieu of cost up to that date. In case of the discovery of mines and wells on or after March 1, 1913, not acquired as the result of

the purchase of a proven tract or lease, if the fair market value is disproportionate to the cost, the depletion allowance shall be based on the fair market value on the date of discovery or within 30 days thereafter.

The allowance shall be made under regulations prescribed by the Commissioner and in the case of leases, the deduction shall be equitably apportioned between the lessor and lessee.

CONTRIBUTIONS

Contributions made within the taxable year to corporations organized and operated exclusively for religious, charitable, scientific or educational purposes, or for the prevention of cruelty to children or animals, (no part of the net earnings of which inures to the benefit of any private stockholder or individual), or to the special fund created by the Vocational Rehabilitation Act, to an amount not in excess of 15 per centum of the taxpayer's net income as computed without the benefit of this deduction. A nonresident alien is allowed this deduction only for contributions made to domestic corporations or to such vocational rehabilitation fund.

INVENTORY AND CONTRACT LOSSES

Losses sustained because of shrinkage in the value of the inventory for the taxable year 1918 or because of the actual payment of rebates after the close of the taxable year upon sales made in such year, in pursuance of contracts entered into during such year. In such case, a taxpayer, at the time of filing return for 1918, shall file a claim in abatement claiming deduction for such loss. If claim for abatement is filed, the payment of the tax covered by such claim shall not be required, but the taxpayer must file a bond in double the amount of the tax covered by such claim. If any part of the claim is disallowed, interest at the rate of one per centum per month shall be paid on the amount disallowed from the time the tax was due.

If no claim is filed but it is shown to the satisfaction of the Commissioner that the taxpayer sustained any such loss, the amount of such loss may be deducted from the net income of the taxpayer for 1918 and the tax for such year be redetermined. The amount found to be due to the taxpayer upon such redetermination shall be credited or refunded to the taxpayer.

NONRESIDENT ALIENS

In the case of nonresident aliens, the deductions for expenses, losses in business or trade, certain taxes paid by a nonresident

alien, bad debts, depreciation, amortization, and depletion shall be allowed to the extent that they are connected with income arising from sources within the United States. The proper allocation of deductions with respect to income derived from sources within and without the United States shall be determined under regulations prescribed by the Commissioner. (Sec. 214.)

Corporations

In determining net income of a corporation, except personal service corporations, the following items shall be deducted from gross income:

DIVIDENDS

Dividends from a corporation the income of which is subject to income tax, and dividends from earnings of personal service corporations upon which income tax has been imposed.

TAXES

Domestic corporations same as citizens of United States, and foreign corporations same as nonresident aliens. (Page 18.)

Taxes paid pursuant to contract in "tax-free" covenant bonds are not deductible.

LOSSES

Losses sustained during the taxable year and not compensated for by insurance or otherwise.

BAD DEBTS

Same as individuals (page 19).

EXPENSES

Same as individuals (page 18).

INTEREST

Same as individuals (page 18).

DEPRECIATION

Same as individuals (page 19).

AMORTIZATION

Same as individuals (page 19).

DEPLETION

Same as individuals (page 19).

INVENTORY AND CONTRACT LOSSES

Same as individuals (page 20).

INSURANCE COMPANIES

In addition to other deductions allowed, the net additions required by law to be made during the taxable year to reserve funds (including, in assessment companies, the actual deposits made pursuant to law as additions to guarantee and reserve funds) and the sums, other than dividends, paid during the taxable year on policy and annuity contracts.

MUTUAL MARINE INSURANCE COMPANIES

In addition to other deductions, amounts repaid to policyholders on account of premiums previously paid by them and interest paid thereon between the ascertainment and payment thereof.

MUTUAL INSURANCE COMPANIES (OTHER THAN MUTUAL LIFE OR MUTUAL MARINE)

If members make premium deposits to provide for losses and expenses, there shall be allowed in addition to other deductions, the amount of premium deposits returned to policyholders or retained for payment of losses, expenses, or reinsurance reserves.

LIFE INSURANCE COMPANIES

In addition to the above deductions, corporations issuing combined policies covering life, health, and accident insurance, issued on the weekly premium payment plan, continuing for life and not subject to cancellation, shall deduct such portion of the net addition (not required by law) made within the taxable year to reserve funds as the Commissioner finds to be required for the protection of policy holders.

FOREIGN CORPORATIONS

In the case of foreign corporations, the foregoing deductions, except interest and certain taxes, are allowed only if and to the extent that they are connected with income arising from a source within the United States. (Sec. 234.)

ITEMS NOT DEDUCTIBLE

In computing the net income of an individual, corporation, partnership, or fiduciary, no deductions shall be allowed for the following items:

- (a) Personal, living, or family expenses;
- (b) Expenditures for new buildings or for permanent improvements or betterments made to increase the value of the property or estate;
- (c) Expenditures for restoring property or in making good depreciation for which allowance has been taken;

- (d) Premiums on any life insurance policy covering the life of any officer or employee, or of any person financially interested in the business of the taxpayer, when the taxpayer is directly or indirectly a beneficiary under such policy. (Sec. 215.) (Sec. 235.)

CREDITS

Individuals

The net income determined by deducting from gross income the deductions described above is the income of the individual which is subject to the income surtax. For the purpose of determining income subject to the normal tax, the following credits against net income are allowed:

DIVIDENDS

Dividends received from a corporation taxable upon its net income, or dividends from a personal service corporation paid out of earnings upon which income tax has been imposed.

INTEREST ON OBLIGATIONS OF UNITED STATES AND WAR FINANCE CORPORATION

The amount received as interest upon obligations of the United States and bonds issued by the War Finance Corporation, which has been included in gross income. (Page 17.) (Sec. 216-b.)

PERSONAL EXEMPTION

- (1) In case of single person or married person not living with husband or wife, \$1,000; or
- (2) In case of married person living with husband or wife, or head of a family, \$2,000.

Husband and wife living together shall have but one exemption of \$2,000 against their aggregate net income, which may be taken by either or divided between them. (Sec. 216-c.)

EXEMPTION FOR DEPENDENTS

For each dependent person, other than husband or wife, under eighteen years of age or incapable of self-support because mentally or physically defective, receiving his chief support from the taxpayer, the sum of \$200. (Sec. 216-d.)

RETURN FOR PERIOD LESS THAN YEAR

Where a return is made for a period less than a year, the personal exemption and exemption for dependents shall be reduced to an amount which bears the same ratio to the full amount as the number of months in the period for which such return is made bears to a full calendar year. (Sec. 226.)

NONRESIDENT ALIENS

A nonresident alien who is a citizen or subject of a country which imposes an income tax is allowed credit for the personal exemption and the exemption for dependents if such country allows a similar credit to citizens of the United States not residing in such country. (Sec. 216-e.)

Corporations

The net income of a corporation, other than a personal service corporation, determined by subtracting from gross income the amount of the deductions defined in the law, is net income upon which the war-profits and excess-profits tax is computed. For the purpose of computing income subject to income tax, the following credits against net income are allowed:

INTEREST ON BONDS OF UNITED STATES AND WAR FINANCE CORPORATION

Interest upon obligations of the United States and bonds issued by the War Finance Corporation which has been included in gross income. (Sec. 236-a.)

WAR-PROFITS AND EXCESS-PROFITS TAX

Any war-profits and excess-profits tax imposed by the United States for the taxable year for which return is made.

Where return is made for a fiscal year beginning in 1917 and ending in 1918, this credit shall be taken in the computation of the income tax for the full period under the Act of 1917 and for the full period under the Act of 1918 as provided in section 205, page 45.

SPECIFIC CREDIT

A specific credit of \$2,000 in case of domestic corporations only. (Sec. 236.)

RETURN FOR PERIOD LESS THAN YEAR

Where a return is made for a period less than a year, the specific credit shall be reduced to an amount which bears the same ratio to \$2,000 as the number of months in the period for which such return is made bears to a full calendar year. (*Sec. 239.*)

ALLOWANCE OF DEDUCTIONS AND CREDITS TO NONRESIDENT ALIENS

RETURNS

Deductions and credits defined under the law are allowed nonresident aliens only if a true and accurate return of income from sources within the United States is filed. (*Sec. 217.*)

CLAIMS WITH WITHHOLDING AGENTS

The benefit of the personal exemption and exemption for dependents may, in the discretion of the Commissioner, be obtained by filing claim therefor with the withholding agent. (*Sec. 217.*)

FAILURE TO FILE RETURN

Failure to file return shall render a nonresident alien subject to tax on his entire income from sources within the United States and all of his property shall be liable to distraint for the tax. (*Sec. 217.*)

PARTNERSHIPS

LIABILITY OF PARTNERS

Partnerships, as such, are not liable for income tax. The individual partners are liable for tax in their individual capacities on their distributive shares of the net income of the partnership for the taxable year, whether distributed or not. If the net income for the taxable year of the individual is computed on the basis of a period different from that upon which the income of the partnership is computed the individual partner shall include in his personal return, his distributive share of the partnership income for the

accounting period of the partnership ending within the taxable year of such individual partner. (Sec. 218.)

COMPUTATION OF NET INCOME

The net income of a partnership shall be computed in the same manner as that of an individual, except the deduction for contributions shall not be allowed. (Sec. 218.)

CREDITS

For the purpose of the assessment of the normal tax, the distributive shares of the individual partners shall be credited with the proportionate share of

- (a) dividends received from a corporation taxable upon its net income or dividends from a personal service corporation paid out of earnings upon which tax has been imposed, and
- (b) interest received upon obligations of the United States and bonds of the War Finance Corporation, which has been included in gross income. (Sec. 218.)

APPORTIONMENT FOR FISCAL YEAR

If a partnership's fiscal year ends during a calendar year for which the tax rates differ from the preceding calendar year,

- (a) the rates for the preceding calendar year shall apply to that proportion of each partner's share of the partnership net income, which the part of the fiscal year falling within the preceding calendar year bears to the full fiscal year, and
- (b) the rates for the calendar year in which the partnership's fiscal year ends shall apply to the remainder. (Sec. 218-b.)

In the case of a personal service corporation with respect to a fiscal year beginning in 1917 and ending in 1918, the amount specified in (a) shall not be subject to normal tax.

CREDIT FOR EXCESS PROFITS TAX UNDER ACT OF 1917

An individual member of a partnership, which makes return for a fiscal year beginning in 1917 and ending in 1918, shall credit against that portion of the net income included in his personal return for the taxable year 1918 to which the rates for 1917 apply, his proportionate share of any excess profits tax imposed upon the partnership under the Act of 1917 with respect to that part of the fiscal year falling in 1917. (Sec. 218-c.)

PERSONAL SERVICE CORPORATIONS

Under the 1918 law, personal service corporations are not subject to tax, as such, but their stockholders are taxed in the same manner as the members of a partnership. All provisions relating to partnerships and individual partners are made applicable to personal service corporations and the stockholders thereof. (*Sec. 218.*)

PERSONAL SERVICE CORPORATION DEFINED

"Personal service corporation" means a corporation whose income is to be ascribed primarily to the activities of the principal owners or stockholders who are themselves regularly engaged in the active conduct of the affairs of the corporation and in which capital (whether invested or borrowed) is not a material income-producing factor. (*Sec. 200.*)

The term does not include

- (a) foreign corporations, or
- (b) corporations, 50 per centum or more of whose gross income consists (1) of profits or income derived from trading as a principal, or (2) of profits, commissions, or other income derived from Government contracts made between April 6, 1917, and November 11, 1918. (*Sec. 200.*)

ASSESSMENT OF TAX AGAINST STOCKHOLDERS

The stockholders shall be taxed on

- (a) any amounts distributed during the taxable year, and
- (b) any portion of the net income of the corporation, remaining undistributed at the end of the taxable year, in proportion to the respective shares of the stockholders. (*Sec. 218.*)

ESTATES AND TRUSTS

FIDUCIARY DEFINED

"Fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity. (*Sec. 200.*)

ESTATE OR TRUST, TAXED AS ENTITY

In the following cases the tax shall be assessed against the estate or trust and the fiduciary shall pay the tax:

- (1) Income received by estates of deceased persons during period of administration or settlement of the estate, except income properly paid or credited to any beneficiary;
- (2) Income accumulated in trust for the benefit of unborn or unascertained persons, or persons with contingent interests;
- (3) Income held for future distribution, under the terms of the will or trust. (*Sec. 219.*)

In the foregoing cases the estate or trust shall be allowed the same credits as a single person. (*Sec. 219.*)

INCOME OF TRUST DISTRIBUTABLE

Income (1) which is to be distributed to the beneficiaries periodically, whether or not at regular intervals, (2) which is collected by the guardian of an infant to be distributed under directions of the court, or (3) which is properly paid or credited to beneficiaries during the period of administration shall not be taxed to the fiduciary, but in computing the net income of the beneficiary, his distributive share of the income, whether distributed or not, shall be included in his individual return. If the net income of the beneficiary for the taxable year is computed on the basis of a period different from that upon which the income of the estate or trust is computed, the beneficiary shall include in his personal return, his distributive share of the income of the trust or estate for the annual accounting period of such estate or trust, ending in such beneficiary's taxable year. (*Sec. 219.*)

COMPUTATION OF NET INCOME

Net income shall be computed in the same manner as in the case of an individual, except that in lieu of the deduction for contributions under section 214, deduction shall be allowed for any income which, under the terms of a will or trust, is paid to or permanently set aside during the taxable year for the United States, any state, territory, or political subdivision thereof, or the District of Columbia, or any corporation organized and operated exclusively for religious, scientific, charitable or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual. (*Sec. 219.*)

CREDITS

For the purpose of the assessment of the normal tax, the distributive share of each beneficiary shall be credited with the proportionate share of

- (a) dividends received by the estate or trust from a corporation subject to income tax, and dividends paid from earnings of personal service corporations upon which income tax has been imposed, and
- (b) interest upon obligations of the United States and bonds of the War Finance Corporation, which is included in gross income. (*Sec. 219.*)

DIVIDENDS

DIVIDEND DEFINED

"Dividend" means any distribution made in cash or stock or any other property, from the earnings of a corporation accumulated since February 28, 1913, or, in the case of a personal service corporation, accumulated since February 28, 1913 and prior to January 1, 1918. (*Sec. 201-a.*)

DISTRIBUTION

A dividend shall be deemed to have been made from earnings or profits accumulated since February 28, 1913 or, in the case of a personal service corporation, from the most recently accumulated earnings or profits.

Earnings accumulated prior to March 1, 1913 may be distributed, exempt from tax, only after earnings accumulated since February 28, 1913 have been distributed. A dividend shall be deemed to have been paid from earnings unless all earnings have been distributed. Stock dividends are considered income to the amount of the earnings distributed.

Any distribution made during the first sixty days of any taxable year shall be deemed to have been made from the earnings or profits accumulated during the preceding taxable years; but any distribution made during the remainder of the taxable year shall be deemed to have been made from the earnings or profits accumulated between the close of the preceding taxable year and the date of distribution, to the extent of such earnings or profits, and if the books of the corporation do not show the amount of such earn-

ings or profits, the earnings or profits for the accounting period within which the distribution was made shall be deemed to have been accumulated ratably during such period. (*Sec. 201.*)

RATES OF TAX ON STOCK DIVIDENDS

Stock dividends (1) declared and entered on the books of a corporation between January 1, 1918 and November 1, 1918, and received by a taxpayer after November 1, 1918, but within thirty days after the passage of this law and (2) stock dividends received by a taxpayer between January 1, 1918 and November 1, 1918, are deemed to have been paid from the most recently accumulated earnings of the corporation and shall be taxed at the rates applicable to the years in which the earnings distributed were accumulated by the corporation. (*Sec. 201.*)

LIQUIDATION

Amounts received in liquidation of a corporation are considered payments in exchange for stock and any gain realized shall be taxed as profits. (*Sec. 201-c.*)

DETERMINATION OF GAIN OR LOSS

In determining gain or loss from sale or other disposition of property, the basis shall be

- (a) for property acquired prior to March 1, 1913, the fair market value as of that date, or
- (b) for property acquired on or after March 1, 1913, the cost thereof or the inventory value, as the case may be. (*Sec. 202.*)

EXCHANGE OF PROPERTY

When property is exchanged for other property, the property received in exchange shall be treated as the equivalent of cash to the amount of its fair market value. When, in connection with the reorganization or consolidation of a corporation, however, a person receives, in place of stock or securities owned by him, new stock or securities of no greater aggregate par value, no gain or loss shall be deemed to occur from the exchange, the new stock taking the place of the stock or property exchanged. (*Sec. 202.*)

When in the case of any such reorganization or consoli-

duction the aggregate par or face value of the new stock or securities received is in excess of the aggregate par or face value of the stock or securities exchanged, a like amount in par or face value of the new stock or securities received shall be treated as taking the place of the stock or securities exchanged, and the amount of excess in par or face value shall be treated as a gain to the extent that the fair market value of the new stock or securities is greater than the cost (or if acquired prior to March 1, 1913, the fair market value as of that date) of the stock or securities exchanged. (*Sec. 202.*)

NET LOSS

The 1918 law provides that, under regulations of the Commissioner, net losses sustained by any taxpayer, in a taxable year beginning after October 31, 1918 and ending prior to January 1, 1920, shall be deducted from the income of the taxpayer for the preceding taxable year, if sufficient, and if not, the balance of such loss may be deducted from the income of the succeeding taxable year. If such deduction is allowed for the preceding taxable year, the amount found to be due to the taxpayer shall be credited or refunded. This provision also applies to members of a partnership and beneficiaries of an estate. (*Sec. 204.*)

NET LOSS DEFINED

"Net Loss" refers only to a loss resulting from

- (a) the operation of the business of the taxpayer, or
- (b) the bona fide sale by the taxpayer of plant, buildings, or other facilities, constructed or acquired by the taxpayer on or after April 6, 1917, for the production of articles contributing to the prosecution of the war.

The loss deductible is the excess of the deductions allowed by the taxing act, exclusive of dividends paid to a corporation from earnings of another corporation subject to income tax, over the gross income plus interest received free from income and war-profits and excess-profits taxes. (*Sec. 204.*)

CREDIT FOR TAXES

Under the 1918 law, the income tax of an individual and the income and war-profits and excess-profits tax of a

domestic corporation computed for the taxable year shall be credited with

- (a) In the case of a citizen of the United States or domestic corporation, the amount of any income, war profits and excess profits taxes paid, during the taxable year, to any foreign country upon income derived from sources therein or to any possession of the United States. (Secs. 222 and 238.)
- (b) In the case of a resident of the United States, such taxes paid during the taxable year to a possession of United States. (Sec. 222) and
- (c) In the case of an alien resident of the United States, the amount of such taxes paid during the taxable year to the country of which he is a citizen or subject, upon income derived from sources therein, only if such country permits a similar credit to citizens of the United States residing in such country. (Sec. 222.)

In case of claim for credit of taxes accrued, but not paid, the Commissioner may require the taxpayer to give bond for the payment of any amount of tax which may be found to be due upon redetermination. If the amount of accrued taxes credited differs from the amount actually paid or if any amount paid is refunded in whole or in part, notice shall be given to the Commissioner and the amount of tax for the taxable year redetermined by him. Any amount found due shall be paid to the Collector of Internal Revenue and any amount of tax overpaid shall be credited or refunded. (Secs. 222 and 238.)

Members of a partnership or beneficiaries of an estate or trust may take credit for their proportionate part of the taxes above outlined which have been paid by the partnership or estate or trust. (Sec. 222.)

The Commissioner may require the taxpayer to furnish a bond securing the amount of accrued taxes credited, and if such amount proves to be at variance with actual requirements, such difference must be reported to the Commissioner and the tax shall be redetermined accordingly. (Secs. 222 and 238.)

TAX ASSESSED UNDER 1917 LAW

If a domestic corporation has made return for a fiscal year beginning in 1917 and ending in 1918, only that proportion of the credit shall be allowed which the part of such period within the calendar year 1918 bears to the entire period. (Sec. 238-c.)

RETURNS

Basis of Returns—Fiscal Year

Under the 1918 Act, an individual, fiduciary, partnership or corporation is required to make return on the basis of its annual accounting period, whether calendar year or a fiscal year other than the calendar year. If the taxpayer has no annual accounting period or does not keep books, the net income shall be computed on the basis of the calendar year. (Sec. 212.) In case of the change of the basis of the taxable year to correspond with the accounting period of the taxpayer, a return must be made for the period between the end of the last taxable year and the beginning of the newly designated taxable year. In such case, the tax shall be computed at the rates applicable for the calendar year in which such period falls. (Sec. 226.)

The taxable year 1918 is the calendar year 1918 or any fiscal year ending during the calendar year 1918. (Sec. 200.)

Individual

Every individual (or in case of inability of such individual to make return, a duly authorized agent, guardian or other person charged with the care of the person or property of such individual), whose net income is

- (a) \$1,000 or over, if single or if married and not living with husband or wife, or
- (b) \$2,000 or over, if married and living with husband or wife

must file a return.

If the aggregate net income of husband and wife living together, is \$2,000 or over, each shall make a return, unless their income is included in a joint return. (Sec. 223.)

Fiduciaries

For income tax purposes, estates and trusts are divided into four classes:

- (1) Income received by estates of deceased persons during the period of administration or settlement of the estate except income properly paid or credited to any beneficiary;
- (2) Income accumulated in trust for the benefit of unborn or unascertained persons, or persons with contingent interests;

- (3) Income held for future distribution under the terms of the will or trust;
- (4) Income which is to be distributed to beneficiaries periodically whether or not at regular intervals, income collected by a guardian of an infant to be held or distributed as the court may direct, and income of an estate properly paid or credited to any beneficiary during the period of administration. (Sec. 219).

A fiduciary is required to file a return for the individual, estate, or trust for which he acts

- (a) If the net income of such individual beneficiary is \$1,000 or over, if single, or if married and not living with husband or wife, or \$2,000, or over if married and living with husband or wife,
- (b) If the net income of such estate or trust is \$1,000 or over, or
- (c) If any beneficiary is a nonresident alien. (Sec. 225.)

Under (1), (2) and (3), the tax shall be assessed to and paid by the fiduciary and the estate or trust shall, for the purpose of the normal tax, be allowed the same credits as are allowed to a single person under Section 216. (Sec. 219.)

Under (4), income payable to beneficiaries who are citizens and residents of the United States, whether distributed or not, will be returned in the individual return of such beneficiary and the tax thereon paid by the beneficiary. The fiduciary will be required to withhold and pay the tax if the beneficiary is a nonresident alien. (Secs. 221 and 225.)

Partnerships

Under the 1918 law, every partnership is required to file a return of income, for the taxable year, sworn to by any one of the partners, showing gross income and deductions, the names and addresses of the individual partners, and the distributive share of each. The income tax, however, is not assessed to and paid by the partnership, as such, the individual partners being required to include their respective shares of income, whether distributed or not, in their individual income tax returns. (Sec. 224.) (Sec. 218.)

Corporations

Every corporation subject to income tax and every personal service corporation is required to file an income tax

return. If a foreign corporation has an agent, but no office or place of business in the United States, return shall be made by such agent. (*Sec. 239.*)

Receivers and Trustees

Receivers, trustees in bankruptcy, or assignees, operating the business or property of a corporation, must make returns in the same form and pay the tax due in the same manner as the corporation if acting for itself. (*Sec. 239.*)

Consolidated Returns

Affiliated corporations are required, under regulations of the Commissioner, to file a consolidated return for the purpose of the assessment of income and war-profits and excess-profits taxes. The total tax will be computed as a unit on the basis of the consolidated return and will be assessed against the respective affiliated corporations in such proportions as they may agree upon or, in the absence of agreement, on the basis of net income properly assignable to each. Only one specific credit of \$2,000 shall be allowed in computing the income tax under the consolidated return and \$3,000 in computing the war-profits and excess-profits tax. (*Sec. 240.*)

The income and invested capital of an affiliated corporation organized after August 1, 1914, and not the successor to a then existing business, shall not be included in the consolidated return if 50% or more of its gross income consists of profits derived from a Government contract made between April 6, 1917, and November 11, 1918. Such corporation shall be separately assessed. (*Sec. 240.*)

AFFILIATED CORPORATIONS DEFINED

Two or more corporations shall be deemed to be affiliated,

- (1) If one corporation owns directly or controls through closely affiliated interests or by a nominee or nominees substantially all of the stock of the other or others; or
- (2) If substantially all of the stock of two or more corporations is controlled or owned by the same interests. (*Sec. 240.*)

Withholding Agents

Withholding agents are required to make return on or before March 1, of each year, for the preceding calendar

year, and pay the tax, which has been withheld, on or before June 15, following. (*Sec. 221.*) (*Sec. 237.*)

Returns of Information

CHANGES IN 1918 LAW

The provisions of the 1918 law, with respect to information at the source, applicable to 1918, are practically the same as those contained in the Act of October 3, 1917, except that in the case of miscellaneous income, the amount is increased from \$800 to \$1,000, and returns are required only to the extent prescribed by the Commissioner. (*Sec. 256.*)

The system of procuring information reports now in use by the Treasury Department will doubtless be continued under the new law.

PAYMENTS OF DIVIDENDS

Corporations subject to income tax and personal service corporations, shall, when required by the Commissioner, make returns of payments of dividends, stating the name and address of each stockholder, the number of shares owned by him, and the amount of dividends paid to such stockholder. (*Sec. 254.*)

BROKERS' RETURNS

Brokers, only when required by the Commissioner, shall make returns showing the names of customers, and giving such information as will enable the Commissioner to determine whether all income tax due on profits and gains of such customers has been paid. (*Sec. 255.*)

MISCELLANEOUS INCOME

All individuals, corporations and partnerships, including officers and employees of the United States, making payments of fixed or determinable income of \$1,000 or over, in any year, are required to make returns, to the extent prescribed by the Commissioner, showing the amounts of such payments and the names and addresses of the recipients. (*Sec. 256.*)

INTEREST ON BONDS AND DIVIDENDS ON FOREIGN STOCK

Returns of information, regardless of amount, may be required in connection with payments of

- (1) interest on bonds, mortgages, deeds of trust, or similar obligations of corporations;
- (2) interest on bonds of foreign countries and foreign corporations, and
- (3) dividends from foreign corporations. (Sec. 256.)

The regulations now provide that returns of information covering interest on bonds of domestic corporations shall be made by the debtor corporation or duly appointed fiscal agent. Returns of interest on bonds of foreign countries and foreign corporations shall be made by the duly appointed paying agent in this country, if any, or if there is none, the last licensed agent handling the coupons. The first collecting agent shall make return in the case of foreign dividends. (T. D. 2759.)

The name of the recipient of income may be required by the person paying the income. These provisions do not apply to obligations of the United States. (Sec. 256.)

Time for Filing

Returns shall be made on or before the 15th day of the third month following the end of the taxable year. (Sec. 227.) (Sec. 241.) The due dates for returns for different accounting periods and the dates of payment of installments of taxes are as follows:

<i>End of Taxable Year.</i>	<i>Last Date for Return and Date of First Payment</i>	<i>Date of Second Payment</i>	<i>Date of Third Payment</i>	<i>Date of Fourth Payment</i>
Dec. 31	Mar. 15	June 15	Sept. 15	Dec. 15
Jan. 31	Apr. 15	July 15	Oct. 15	Jan. 15
Feb. 28	May 15	Aug. 15	Nov. 15	Feb. 15
Mch. 31	June 15	Sept. 15	Dec. 15	Mar. 15
Apr. 30	July 15	Oct. 15	Jan. 15	Apr. 15
May 31	Aug. 15	Nov. 15	Feb. 15	May 15
June 30	Sept. 15	Dec. 15	Mar. 15	June 15
July 31	Oct. 15	Jan. 15	Apr. 15	July 15
Aug. 31	Nov. 15	Feb. 15	May 15	Aug. 15
Sept. 30	Dec. 15	Mar. 15	June 15	Sept. 15
Oct. 31	Jan. 15	Apr. 15	July 15	Oct. 15
Nov. 30	Feb. 15	May 15	Aug. 15	Nov. 15

EXTENSION OF TIME

A reasonable extension of time for filing returns, limited to 6 months except in the case of taxpayers who are abroad, may be granted by the Commissioner in his discretion. (*Secs. 227 and 241.*)

Place of Filing

Returns of individuals must be filed in the district in which is located the legal residence or principal place of business of the taxpayer. If the taxpayer has no legal residence or place of business in the United States, the return must be filed with the Collector at Baltimore, Maryland. (*Sec. 227.*)

Corporations must file returns in the district in which is located the principal place of business, principal office, or agency of the corporation. If the corporation has no office or agency in the United States, return must be filed with the Collector at Baltimore, Maryland. (*Sec. 241.*)

DEDUCTION OF TAX AT SOURCE

NONRESIDENT ALIENS AND FOREIGN CORPORATIONS

Interest, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical income, payable to a nonresident alien individual, except

- (a) income derived from dividends on stocks of corporations subject to income tax,
- (b) interest on bonds or similar obligations of corporations, containing a "tax-free" covenant clause, or
- (c) where exemption is claimed as provided in Section 217,

is subject to deduction of tax at the source at the rate of 8 per centum. (*Sec. 221.*)

The Commissioner may also authorize a similar deduction on interest upon securities, the owners of which are unknown. (*Sec. 221.*)

In the case of such income payable to foreign corporations not engaged in business in the United States and not having an office or place of business therein, the deduction of tax at the source shall be at the rate of 10 per centum. (*Sec. 221.*)

“TAX-FREE” Covenant Bonds

Interest on bonds containing a “tax-free” covenant clause is subject to withholding of the tax at the source at rate of 2 per centum, when such interest is payable to (a) citizens or residents of the United States, (b) nonresident alien individuals, (c) partnerships, or (d) foreign corporations not engaged in business in the United States and not having an office or place of business therein.

The Commissioner may also authorize such deduction if the owners of such bonds are unknown. (*Secs. 221 and 237.*)

Deduction of tax on such interest payable to a resident or citizen of the United States shall not be required, to the extent of his personal exemption or exemption for dependents, if such resident or citizen files a claim for exemption with the debtor corporation on or before February 1. A nonresident alien may also claim exemption if permitted by the regulations of the Commissioner. (*Secs. 217 and 221.*)

CREDIT FOR TAX WITHHELD

Tax withheld and paid at the source may be credited against the amount of tax shown to be due on the return of the taxpayer. (*Sec. 221.*)

PAYMENT OF TAXES

TIME OF PAYMENT

Taxes, other than those taxes deducted at the source, shall be paid in equal installments as follows:

One-fourth of the amount at the time fixed for filing return;
One-fourth on the fifteenth day of the third month thereafter;
One-fourth on the fifteenth day of the sixth month after the time fixed for filing the return, and
One-fourth on the fifteenth day of the ninth month after the time fixed for filing the return.

If any installment is not paid when due, the whole amount of tax shall become due and payable upon notice and demand by the collector. (*Sec. 250.*)

EXTENSION OF TIME

In case of an extension of time for filing return, the date of the expiration of the extension shall be deemed to be the

time fixed for filing return, but the time for payment of the other installments shall not be postponed unless the Commissioner so provides in granting the extension. In cases of payments being so postponed at the request of the taxpayer, interest at the rate of one-half of one per centum per month, shall be charged from the time payments would have been due (if no extension had been granted) until paid. (*Sec. 250.*)

SINGLE PAYMENT

The taxpayer may pay the entire amount of tax due in one payment on or before the time for filing return. If an extension of time for filing return has been granted, full payment may be made on or before the expiration of the period of such extension. (*Sec. 250.*)

EXAMINATION OF RETURNS

Returns shall be examined by the Commissioner as soon as practicable after filing and adjustments made in accordance with the provisions of Section 252.

LIMITATION ON COLLECTION OF TAX

Except in case of false or fraudulent returns, the tax due on any return shall be determined and assessed within five years after the return was due or was made and no suit shall be brought to recover any tax after five years from such date. (*Sec. 250.*)

PENALTY FOR FAILURE TO PAY

Failure to pay tax when due, and for ten days after notice and demand, except in the case of estates of insane, deceased, or insolvent persons or in case a bona fide claim for abatement is filed, shall subject the taxpayer to a penalty of 5 per centum of the amount of tax due, plus interest at the rate of 1 per centum per month from the date when due. (*Sec. 250.*)

REFUNDS

If, upon the examination of any return, any amount of tax is found to have been paid in excess of the amount due under the Act of August 5, 1909, the Act of October 3,

1913, the Act of September 8, 1916, the Act of October 3, 1917, or the Act of 1918, the same may be credited against any income, war profits or excess profits taxes due from the taxpayer, and the balance, if any, refunded. No credit or refund shall be made after five years from the date return was due, unless claim was filed within five years from such date. (*Sec. 252.*)

COLLECTION OF FOREIGN ITEMS

All persons undertaking as a matter of business or for profit, the collection of foreign payments of interest or dividends by means of coupons, checks, or bills of exchange, are required to obtain a license from the Commissioner. Failure to comply with this provision will subject the offender to a fine of not more than \$5,000 or imprisonment of not more than one year, or both. (*Sec. 259.*)

PENALTIES

Any individual, corporation or partnership failing to make return or supply information or to pay or collect any tax as required by law shall be subject to a penalty of not more than \$1,000. The wilful refusal to make such return, to supply such information, or to pay or collect such tax, or the wilful attempt to defeat or evade such tax, shall subject the offending individual, corporation, or partnership or any officer or employee thereof, to a fine of not more than \$10,000 or imprisonment for not more than one year, or both. (*Sec. 253.*)

CITIZENS OF UNITED STATES POSSESSIONS

Any individual who is a citizen of any possession of the United States (but not otherwise a citizen of the United States) and who is not a resident of the United States, is subject to taxation under the Act of 1918 only as to income derived from sources within the United States. The tax shall be computed and paid in the same manner provided for persons who are not citizens or residents of the United States. (*Sec. 260.*)

PORTO RICO AND THE PHILIPPINE ISLANDS

The income tax in Porto Rico and the Philippine Islands shall be levied and collected in accordance with the Act of 1916, as amended. The tax laws in force in Porto Rico and the Philippine Islands may be amended or repealed by their respective legislatures.

Text of Law—Title II.

PART I.—GENERAL PROVISIONS

DEFINITIONS

SEC. 200. That when used in this title—

Taxable Year The term "taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the net income is computed under section 212 or section 232. The term "fiscal year" means an accounting period of twelve months ending on the last day of any month other than December. The first taxable year, to be called the taxable year 1918, shall be the calendar year 1918 or any fiscal year ending during the calendar year 1918;

Fiscal Year

Fiduciary The term "fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity for any person, trust or estate;

First Taxable Year

Withholding Agent The term "withholding agent" means any person required to deduct and withhold any tax under the provisions of section 221 or section 237;

Personal Service Corporation The term "personal service corporation" means a corporation whose income is to be ascribed primarily to the activities of the principal owners or stockholders who are themselves regularly engaged in the active conduct of the affairs of the corporation and in which capital (whether invested or borrowed) is not a material income-producing factor; but does not include any foreign corporation, nor any corporation 50 per centum or more of whose gross income consists either (1) of gains, profits or income derived from trading as a principal, or (2) of gains, profits, commissions or other income, derived from a government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive;

*"Paid,"
"Paid or
Incurred,"
"Paid or
Accrued"* The term "paid," for the purposes of the deductions and credits under this title, means "paid or accrued" or "paid or incurred," and the terms "paid or incurred" and "paid or accrued" shall be construed according to the method of

accounting upon the basis of which the net income is computed under section 212.

DIVIDENDS

SEC. 201.(a) That the term "dividend" when used in this title (except in paragraph (10) of sub-division (a) of section 234) means (1) any distribution made by a corporation, other than a personal service corporation, to its shareholders or members, whether in cash or in other property or in stock of the corporation, out of its earnings or profits accumulated since February 28, 1913, or (2) any such distribution made by a personal service corporation out of its earnings or profits accumulated since February 28, 1913, and prior to January 1, 1918.

Dividend Defined

(b) Any distribution shall be deemed to have been made from earnings or profits unless all earnings and profits have first been distributed: Any distribution made in the year 1918 or any year thereafter shall be deemed to have been made from earnings or profits accumulated since February 28, 1913, or, in the case of a personal service corporation, from the most recently accumulated earnings or profits; but any earnings or profits accumulated prior to March 1, 1913, may be distributed in stock dividends or otherwise, exempt from the tax, after the earnings and profits accumulated since February 28, 1913, have been distributed.

Distribution of Earnings

(c) A dividend paid in stock of the corporation shall be considered income to the amount of the earnings or profits distributed. Amounts distributed in the liquidation of a corporation shall be treated as payments in exchange for stock or shares, and any gain or profit realized thereby shall be taxed to the distributee as other gains or profits.

Stock Dividend

Liquidation of Corporations

(d) If any stock dividend (1) is received by a taxpayer between January 1 and November 1, 1918, both dates inclusive, or (2) is during such period bona fide authorized or declared, and entered on the books of the corporation, and is received by a taxpayer after November 1, 1918, and before the expiration of thirty days after the passage of this Act, then such dividend shall, in the manner provided in section 206, be taxed to the recipient at the rates prescribed by law for the years in which the corporation accumulated the earnings or profits from which such dividend was paid, but the dividend shall be deemed to have been paid from the most recently accumulated earnings or profits.

Allocation of Stock Dividends

(e) Any distribution made during the first sixty days of any taxable year shall be deemed to have been made from earnings or profits accumulated during preceding taxable years; but any distribution made during the remainder of the taxable year shall be deemed to have been made from

Distribution during Taxable Year

earnings or profits accumulated between the close of the preceding taxable year and the date of distribution, to the extent of such earnings or profits, and if the books of the corporation do not show the amount of such earnings or profits, the earnings or profits for the accounting period within which the distribution was made shall be deemed to have been accumulated ratably during such period.

BASIS FOR DETERMINING GAIN OR LOSS

SEC. 202.(a) That for the purpose of ascertaining the gain derived or loss sustained from the sale or other disposition of property, real, personal, or mixed, the basis shall be—

*Acquisition
prior to
Mar. 1, 1913*

(1) In the case of property acquired before March 1, 1913, the fair market price or value of such property as of that date; and

*Acquisition
on or after
Mar. 1, 1913*

(2) In the case of property acquired on or after that date, the cost thereof; or the inventory value, if the inventory is made in accordance with section 203.

*Exchange of
Property*

(b) When property is exchanged for other property, the property received in exchange shall for the purpose of determining gain or loss be treated as the equivalent of cash to the amount of its fair market value, if any; but when in connection with the reorganization, merger, or consolidation of a corporation a person receives in place of stock or securities owned by him new stock or securities of no greater aggregate par or face value, no gain or loss shall be deemed to occur from the exchange, and the new stock or securities received shall be treated as taking the place of the stock, securities, or property exchanged.

*Reorganiza-
tion, Consoli-
dation or
Merger*

*Exchange
of Stock*

When in the case of any such reorganization, merger or consolidation the aggregate par or face value of the new stock or securities received is in excess of the aggregate par or face value of the stock or securities exchanged, a like amount in par or face value of the new stock or securities received shall be treated as taking the place of the stock or securities exchanged, and the amount of the excess in par or face value shall be treated as a gain to the extent that the fair market value of the new stock or securities is greater than the cost (or if acquired prior to March 1, 1913, the fair market value as of that date) of the stock or securities exchanged.

INVENTORIES

*Inventories
may be
Required*

SEC. 203. That whenever in the opinion of the Commissioner the use of inventories is necessary in order clearly to determine the income of any taxpayer, inventories shall be taken by such taxpayer upon such basis as the Commissioner, with the approval of the Secretary, may prescribe as conform-

ing as nearly as may be to the best accounting practice in the trade or business and as most clearly reflecting the income.

NET LOSSES

SEC. 204.(a) That as used in this section the term "net loss" refers only to net losses resulting from either (1) the operation of any business regularly carried on by the taxpayer, or (2) the bona fide sale by the taxpayer of plant, buildings, machinery, equipment or other facilities, constructed, installed or acquired by the taxpayer on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war; and when so resulting means the excess of the deductions allowed by law (excluding in the case of corporations amounts allowed as a deduction under paragraph (6) of subdivision (a) of section 234) over the sum of the gross income plus any interest received free from taxation both under this title and under Title III.

*Net Loss
Defined*

(b) If for any taxable year beginning after October 31, 1918 and ending prior to January 1, 1920 it appears upon the production of evidence satisfactory to the Commissioner that any taxpayer has sustained a net loss, the amount of such net loss shall under regulations prescribed by the Commissioner with the approval of the Secretary be deducted from the net income of the taxpayer for the preceding taxable year; and the taxes imposed by this title and by Title III for such preceding taxable year shall be redetermined accordingly. Any amount found to be due to the taxpayer upon the basis of such redetermination shall be credited or refunded to the taxpayer in accordance with the provisions of section 252. If such net loss is in excess of the net income for such preceding taxable year, the amount of such excess shall under regulations prescribed by the Commissioner with the approval of the Secretary be allowed as a deduction in computing the net income for the succeeding taxable year.

*Losses for
Taxable Year
Falling
Between
Oct. 31, 1918,
and
Jan. 1, 1920
Deductible
from Income
of Preceding
Taxable
Year*

(c) The benefit of this section shall be allowed to the members of a partnership and the beneficiaries of an estate or trust under regulations prescribed by the Commissioner with the approval of the Secretary.

*Partnerships
and Estates*

FISCAL YEAR WITH DIFFERENT RATES

SEC. 205.(a) That if a taxpayer makes return for a fiscal year beginning in 1917 and ending in 1918, his tax under this title for the first taxable year shall be the sum of: (1) the same proportion of a tax for the entire period computed under Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917 and under Title I of the Revenue Act of 1917, which the portion of such period falling within the calendar year 1917 is of the entire period, and (2) the same proportion of a tax for the entire period computed under this title at the rates for the calendar year 1918 which the portion of

*Fiscal Year
1917-18*

such period falling within the calendar year 1918 is of the entire period: *Provided*, That in the case of a personal service corporation the amount to be paid shall be only that specified in clause (1).

Any amount heretofore or hereafter paid on account of the tax imposed for such fiscal year by Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917 and by Title I of the Revenue Act of 1917, shall be credited towards the payment of the tax imposed for such fiscal year by this Act, and if the amount so paid exceeds the amount of such tax imposed by this Act, or, in the case of a personal service corporation, the amount specified in clause (1), the excess shall be credited or refunded in accordance with the provisions of section 252.

*Fiscal Year
1918-1919*

(b) If a taxpayer makes a return for a fiscal year beginning in 1918 and ending in 1919, the tax under this title for such fiscal year shall be the sum of: (1) the same proportion of a tax for the entire period computed under this title at the rates specified for the calendar year 1918 which the portion of such period falling within the calendar year 1918 is of the entire period, and (2) the same proportion of a tax for the entire period computed under this title at the rates specified for the calendar year 1919 which the portion of such period falling within the calendar year 1919 is of the entire period.

*Fiscal Year
of Part-
nerships*

(c) If a fiscal year of a partnership begins in 1917 and ends in 1918 or begins in 1918 and ends in 1919, then notwithstanding the provisions of subdivision (b) of section 218, (1) the rates for the calendar year during which such fiscal year begins shall apply to an amount of each partner's share of such partnership net income (determined under the law applicable to such year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year, and (2) the rates for the calendar year during which such fiscal year ends shall apply to an amount of each partner's share of such partnership net income (determined under the law applicable to such calendar year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year: *Provided*, That in the case of a personal service corporation with respect to a fiscal year beginning in 1917 and ending in 1918, the amount specified in clause (1) shall not be subject to normal tax.

PARTS OF INCOME SUBJECT TO RATES FOR DIFFERENT YEARS

*Application
of Tax for
Different
Years*

SEC. 206. That whenever parts of a taxpayer's income are subject to rates for different calendar years, the part subject to the rates for the most recent calendar year shall be placed in the lower brackets of the rate schedule provided in this title, the part subject to the rates for the next preceding calendar year shall be placed in the next higher brackets of

the rate schedule applicable to that year, and so on until the entire net income has been accounted for. In determining the income, any deductions, exemptions or credits of a kind not plainly and properly chargeable against the income taxable at rates for a preceding year shall first be applied against the income subject to rates for the most recent calendar year; but any balance thereof shall be applied against the income subject to the rates of the next preceding year or years until fully allowed.

*Specific
Exemptions,
Deductions
and Credits*

PART II.—INDIVIDUALS

NORMAL TAX

SEC. 210. That, in lieu of the taxes imposed by subdivision (a) of section 1 of the Revenue Act of 1916 and by section 1 of the Revenue Act of 1917, there shall be levied, collected, and paid for each taxable year upon the net income of every individual a normal tax at the following rates:

(a) For the calendar year 1918, 12 per centum of the amount of the net income in excess of the credits provided in section 216: *Provided*, That in the case of a citizen or resident of the United States the rate upon the first \$4,000 of such excess amount shall be 6 per centum;

*Rates for
Year 1918*

(b) For each calendar year thereafter, 8 per centum of the amount of the net income in excess of the credits provided in section 216: *Provided*, That in the case of a citizen or resident of the United States the rate upon the first \$4,000 of such excess amount shall be 4 per centum.

*Rates for
Years Sub-
sequent to
1918*

SURTAX

SEC. 211.(a) That, in lieu of the taxes imposed by subdivision (b) of section 1 of the Revenue Act of 1916 and by section 2 of the Revenue Act of 1917, but in addition to the normal tax imposed by section 210 of this Act, there shall be levied, collected, and paid for each taxable year upon the net income of every individual, a surtax equal to the sum of the following:

*Rates of
Surtax*

1 per centum of the amount by which the net income exceeds \$5,000 and does not exceed \$6,000;

2 per centum of the amount by which the net income exceeds \$6,000 and does not exceed \$8,000;

3 per centum of the amount by which the net income exceeds \$8,000 and does not exceed \$10,000;

4 per centum of the amount by which the net income exceeds \$10,000 and does not exceed \$12,000;

5 per centum of the amount by which the net income exceeds \$12,000 and does not exceed \$14,000;

6 per centum of the amount by which the net income exceeds \$14,000 and does not exceed \$16,000;

7 per centum of the amount by which the net income exceeds \$16,000 and does not exceed \$18,000;

8 per centum of the amount by which the net income exceeds \$13,000 and does not exceed \$20,000;

9 per centum of the amount by which the net income exceeds \$20,000 and does not exceed \$22,000;

10 per centum of the amount by which the net income exceeds \$22,000 and does not exceed \$24,000;

11 per centum of the amount by which the net income exceeds \$24,000 and does not exceed \$26,000;

12 per centum of the amount by which the net income exceeds \$26,000 and does not exceed \$28,000;

13 per centum of the amount by which the net income exceeds \$28,000 and does not exceed \$30,000;

14 per centum of the amount by which the net income exceeds \$30,000 and does not exceed \$32,000;

15 per centum of the amount by which the net income exceeds \$32,000 and does not exceed \$34,000;

16 per centum of the amount by which the net income exceeds \$34,000 and does not exceed \$36,000;

17 per centum of the amount by which the net income exceeds \$36,000 and does not exceed \$38,000;

18 per centum of the amount by which the net income exceeds \$38,000 and does not exceed \$40,000;

19 per centum of the amount by which the net income exceeds \$40,000 and does not exceed \$42,000;

20 per centum of the amount by which the net income exceeds \$42,000 and does not exceed \$44,000;

21 per centum of the amount by which the net income exceeds \$44,000 and does not exceed \$46,000;

22 per centum of the amount by which the net income exceeds \$46,000 and does not exceed \$48,000;

23 per centum of the amount by which the net income exceeds \$48,000 and does not exceed \$50,000;

24 per centum of the amount by which the net income exceeds \$50,000 and does not exceed \$52,000;

25 per centum of the amount by which the net income exceeds \$52,000 and does not exceed \$54,000;

26 per centum of the amount by which the net income exceeds \$54,000 and does not exceed \$56,000;

27 per centum of the amount by which the net income exceeds \$56,000 and does not exceed \$58,000;

28 per centum of the amount by which the net income exceeds \$58,000 and does not exceed \$60,000;

29 per centum of the amount by which the net income exceeds \$60,000 and does not exceed \$62,000;

30 per centum of the amount by which the net income exceeds \$62,000 and does not exceed \$64,000;

31 per centum of the amount by which the net income exceeds \$64,000 and does not exceed \$66,000;

32 per centum of the amount by which the net income exceeds \$66,000 and does not exceed \$68,000;

33 per centum of the amount by which the net income exceeds \$68,000 and does not exceed \$70,000;

34 per centum of the amount by which the net income exceeds \$70,000 and does not exceed \$72,000;

35 per centum of the amount by which the net income exceeds \$72,000 and does not exceed \$74,000;

36 per centum of the amount by which the net income exceeds \$74,000 and does not exceed \$76,000;

37 per centum of the amount by which the net income exceeds \$76,000 and does not exceed \$78,000;

38 per centum of the amount by which the net income exceeds \$78,000 and does not exceed \$80,000;

39 per centum of the amount by which the net income exceeds \$80,000 and does not exceed \$82,000;

40 per centum of the amount by which the net income exceeds \$82,000 and does not exceed \$84,000;

41 per centum of the amount by which the net income exceeds \$84,000 and does not exceed \$86,000;

42 per centum of the amount by which the net income exceeds \$86,000 and does not exceed \$88,000;

43 per centum of the amount by which the net income exceeds \$88,000 and does not exceed \$90,000;

44 per centum of the amount by which the net income exceeds \$90,000 and does not exceed \$92,000;

45 per centum of the amount by which the net income exceeds \$92,000 and does not exceed \$94,000;

46 per centum of the amount by which the net income exceeds \$94,000 and does not exceed \$96,000;

47 per centum of the amount by which the net income exceeds \$96,000 and does not exceed \$98,000;

48 per centum of the amount by which the net income exceeds \$98,000 and does not exceed \$100,000;

52 per centum of the amount by which the net income exceeds \$100,000 and does not exceed \$150,000;

56 per centum of the amount by which the net income exceeds \$150,000 and does not exceed \$200,000;

60 per centum of the amount by which the net income exceeds \$200,000 and does not exceed \$300,000;

63 per centum of the amount by which the net income exceeds \$300,000 and does not exceed \$500,000;

64 per centum of the amount by which the net income exceeds \$500,000 and does not exceed \$1,000,000;

65 per centum of the amount by which the net income exceeds \$1,000,000.

(b) In the case of a bona fide sale of mines, oil or gas wells, or any interest therein, where the principal value of the property has been demonstrated by prospecting or exploration and discovery work done by the taxpayer, the portion of the tax imposed by this section attributable to such sale shall not exceed 20 per centum of the selling price of such property or interest.

*Limitation
on Tax on
Profit from
Sale of
Mines and
Wells*

NET INCOME DEFINED

SEC. 212.(a) That in the case of an individual the term "net income" means the gross income as defined in section 213, less the deductions allowed by section 214.

*To be Com-
puted on
Basis of
Calendar or
Fiscal Year
According to
Method of
Keeping
Books*

(b) The net income shall be computed upon the basis of the taxpayer's annual accounting period (fiscal year or calendar year, as the case may be) in accordance with the method of accounting regularly employed in keeping the books of such taxpayer; but if no such method of accounting has been so employed, or if the method employed does not clearly reflect the income, the computation shall be made upon such basis and in such manner as in the opinion of the Commissioner does clearly reflect the income. If the taxpayer's annual accounting period is other than a fiscal year as defined in section 200 or if the taxpayer has no annual accounting period or does not keep books, the net income shall be computed on the basis of the calendar year.

*Change of
Accounting
Period*

If a taxpayer changes his accounting period from fiscal year to calendar year, from calendar year to fiscal year, or from one fiscal year to another, the net income shall, with the approval of the Commissioner, be computed on the basis of such new accounting period, subject to the provisions of section 226.

GROSS INCOME DEFINED

SEC. 213. That for the purposes of this title (except as otherwise provided in section 233) the term "gross income"—

Salaries, etc.

(a) Includes gains, profits, and income derived from salaries, wages, or compensation for personal service (including in the case of the President of the United States, the judges of the Supreme and inferior courts of the United States, and all other officers and employees, whether elected or appointed, of the United States, Alaska, Hawaii, or any political subdivision thereof, or the District of Columbia, the compensation received as such), of whatever kind and in whatever form paid, or from professions, vocations, trades, businesses, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property; also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever. The amount of all such items shall be included in the gross income for the taxable year in which received by the taxpayer, unless, under methods of accounting permitted under subdivision (b) of section 212, any such amounts are to be properly accounted for as of a different period; but

*Professions,
Business, etc.
Sales, Inter-
est, Rents,
Dividends,
Other Gains*

*Income
Exempt*

(b) Does not include the following items, which shall be exempt from taxation under this title:

(1) The proceeds of life insurance policies paid upon the

- death of the insured to individual beneficiaries or to the estate of the insured;
- (2) The amount received by the insured as a return of premium or premiums paid by him under life insurance, endowment, or annuity contracts, either during the term or at the maturity of the term mentioned in the contract or upon surrender of the contract;
- (3) The value of property acquired by gift, bequest, devise, or descent (but the income from such property shall be included in gross income);
- (4) Interest upon (a) the obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia; or (b) securities issued under the provisions of the Federal Farm Loan Act of July 17, 1916; or (c) the obligations of the United States or its possessions; or (d) bonds issued by the War Finance Corporation: *Provided*, That every person owning any of the obligations, securities or bonds enumerated in clauses (a), (b), (c), and (d) shall, in the return required by this title, submit a statement showing the number and amount of such obligations, securities and bonds owned by him and the income received therefrom, in such form and with such information as the Commissioner may require. In the case of obligations of the United States issued after September 1, 1917, and in the case of bonds issued by the War Finance Corporation, the interest shall be exempt only if and to the extent provided in the respective Acts authorizing the issue thereof as amended and supplemented, and shall be excluded from gross income only if and to the extent it is wholly exempt from taxation to the taxpayer both under this title and under Title III;
- (5) The income of foreign governments received from investments in the United States in stocks, bonds, or other domestic securities, owned by such foreign governments, or from interest on deposits in banks in the United States of moneys belonging to such foreign governments, or from any other source within the United States;
- (6) Amounts received, through accident or health insurance or under workmen's compensation acts, as compensation for personal injuries or sickness, plus the amount of any damages received whether by suit or agreement on account of such injuries or sickness;
- (7) Income derived from any public utility or the exercise of any essential governmental function and accruing to any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, or income accruing to the government of any possession of the United States, or any political subdivision thereof.
- Whenever any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, prior to September 8, 1916, entered in good faith into a contract with any person, the object and purpose of which

Life Insurance

Return of Insurance Premiums

Gifts and Devises

Interest on State and Municipal Bonds, Obligations of U. S., etc.

Income of Foreign Governments

Accident and Health Insurance

Income from Public Utility Accruing to State, etc.

is to acquire, construct, operate, or maintain a public utility, no tax shall be levied under the provisions of this title upon the income derived from the operation of such public utility, so far as the payment thereof will impose a loss or burden upon such State, Territory, District of Columbia, or political subdivision; but this provision is not intended to confer upon such person any financial gain or exemption or to relieve such person from the payment of a tax as provided for in this title upon the part or portion of such income to which such person is entitled under such contract;

*Military or
Naval
Service*

(8) So much of the amount received during the present war by a person in the military or naval forces of the United States as salary or compensation in any form from the United States for active services in such forces, as does not exceed \$3,500.

*Nonresident
Aliens*

(c) In the case of nonresident alien individuals, gross income includes only the gross income from sources within the United States, including interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, dividends from resident corporations, and including all amounts received (although paid under a contract for the sale of goods or otherwise) representing profits on the manufacture and disposition of goods within the United States.

DEDUCTIONS ALLOWED

SEC. 214. (a) That in computing net income there shall be allowed as deductions:

*Expenses of
Business
or Trade*

(1) All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered, and including rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity.

*Interest
on Indebtedness*

(2) All interest paid or accrued within the taxable year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after September 24, 1917), the interest upon which is wholly exempt from taxation under this title as income to the taxpayer, or, in the case of a nonresident alien individual, the proportion of such interest which the amount of his gross income from sources within the United States bears to the amount of his gross income from all sources within and without the United States;

*Taxes,
United States
and
Possessions*

(3) Taxes paid or accrued within the taxable year imposed (a) by the authority of the United States, except income, war-profits and excess profits taxes; or (b) by the authority of any of its possessions, except the amount of

income, war-profits and excess-profits taxes allowed as a credit under section 222; or (c) by the authority of any State or Territory, or any county, school district, municipality, or other taxing subdivision of any State or Territory, not including those assessed against local benefits of a kind tending to increase the value of the property assessed; or (d) in the case of a citizen or resident of the United States, by the authority of any foreign country, except the amount of income, war-profits and excess-profits taxes allowed as a credit under section 222; or (e) in the case of a nonresident alien individual, by the authority of any foreign country (except income, war-profits and excess-profits taxes, and taxes assessed against local benefits of a kind tending to increase the value of the property assessed), upon property or business;

(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise, if incurred in trade or business;

(5) Losses sustained during the taxable year and not compensated for by insurance or otherwise, if incurred in any transaction entered into for profit, though not connected with the trade or business; but in the case of a nonresident alien individual only as to such transactions within the United States:

(6) Losses sustained during the taxable year of property not connected with the trade or business (but in the case of a nonresident alien individual only property within the United States) if arising from fires, storms, shipwreck, or other casualty, or from theft, and if not compensated for by insurance or otherwise;

(7) Debts ascertained to be worthless and charged off within the taxable year:

(8) A reasonable allowance for the exhaustion, wear and tear of property used in the trade or business, including a reasonable allowance for obsolescence;

(9) In the case of buildings, machinery, equipment, or other facilities, constructed, erected, installed, or acquired, on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war, and in the case of vessels constructed or acquired on or after such date for the transportation of articles or men contributing to the prosecution of the present war, there shall be allowed a reasonable deduction for the amortization of such part of the cost of such facilities or vessels as has been borne by the taxpayer, but not again including any amount otherwise allowed under this title or previous Acts of Congress as a deduction in computing net income. At any time within three years after the termination of the present war, the Commissioner may, and at the request of the taxpayer shall, reexamine the return, and if he then finds as a result of an ap-

Reexamination of Return

Redetermination of Tax

praisal or from other evidence that the deduction originally allowed was incorrect, the taxes imposed by this title and by Title III for the year or years affected shall be redetermined; and the amount of tax due upon such redetermination, if any, shall be paid upon notice and demand by the collector, or the amount of tax overpaid, if any, shall be credited or refunded to the taxpayer in accordance with the provisions of section 252;

Depletion, Mines, Oil and Gas Wells, Natural Deposits, and Timber

(10) In the case of mines, oil and gas wells, other natural deposits, and timber, a reasonable allowance for depletion and for depreciation of improvements, according to the peculiar conditions in each case, based upon cost including cost of development not otherwise deducted: *Provided*, That in the case of such properties acquired prior to March 1, 1913, the fair market value of the property (or the taxpayer's interest therein) on that date shall be taken in lieu of cost up to that date: *Provided further*, That in the case of mines, oil and gas wells, discovered by the taxpayer, on or after March 1, 1913, and not acquired as the result of purchase of a proven tract or lease, where the fair market value of the property is materially disproportionate to the cost, the depletion allowance shall be based upon the fair market value of the property at the date of the discovery, or within thirty days thereafter; such reasonable allowance in all the above cases to be made under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary. In the case of leases the deductions allowed by this paragraph shall be equitably apportioned between the lessor and lessee.

Contributions

(11) Contributions or gifts made within the taxable year to corporations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to the special fund for vocational rehabilitation authorized by section 7 of the Vocational Rehabilitation Act, to an amount not in excess of 15 per centum of the taxpayer's net income as computed without the benefit of this paragraph. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the Commissioner, with the approval of the Secretary. In the case of a nonresident alien individual this deduction shall be allowed only as to contributions or gifts made to domestic corporations, or to such vocational rehabilitation fund;

Claim in Abatement for Inventory and Contract Losses During 1918

(12) (a) At the time of filing return for the taxable year 1918 a taxpayer may file a claim in abatement based on the fact that he has sustained a substantial loss (whether or not actually realized by sale or other disposition) resulting from any material reduction (not due to temporary fluctuation) of the value of the inventory for such taxable year, or from the actual

payment after the close of such taxable year of rebates in pursuance of contracts entered into during such year upon sales made during such year. In such case payment of the amount of the tax covered by such claim shall not be required until the claim is decided, but the taxpayer shall accompany his claim with a bond in double the amount of the tax covered by the claim, with sureties satisfactory to the Commissioner, conditioned for the payment of any part of such tax found to be due, with interest. If any part of such claim is disallowed then the remainder of the tax due shall on notice and demand by the collector be paid by the taxpayer with interest at the rate of 1 per centum per month from the time the tax would have been due had no such claim been filed. If it is shown to the satisfaction of the Commissioner that such substantial loss has been sustained, then in computing the tax imposed by this title the amount of such loss shall be deducted from the net income. (b) If no such claim is filed, but it is shown to the satisfaction of the Commissioner that during the taxable year 1919 the taxpayer has sustained a substantial loss of the character above described then the amount of such loss shall be deducted from the net income for the taxable year 1918 and the tax imposed by this title for such year shall be redetermined accordingly. Any amount found to be due to the taxpayer upon the basis of such redetermination shall be credited or refunded to the taxpayer in accordance with the provisions of section 252.

Disallowance of Claim

Claim not Filed

(b) In the case of a nonresident alien individual the deductions allowed in paragraphs (1), (4), (7), (8), (9), (10), (12), and clause (e) of paragraph (3), of subdivision (a) shall be allowed only if and to the extent that they are connected with income arising from a source within the United States; and the proper apportionment and allocation of the deductions with respect to sources of income within and without the United States shall be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

Deductions of Nonresident Aliens

ITEMS NOT DEDUCTIBLE

SEC. 215. That in computing net income no deduction shall in any case be allowed in respect of—

Personal Expenses

(a) Personal, living, or family expenses;

(b) Any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate;

Betterments

(c) Any amount expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made; or

Restoring Property

(d) Premiums paid on any life insurance policy covering the life of any officer or employee, or of any person financially interested in any trade or business carried on by the taxpayer, when the taxpayer is directly or indirectly a beneficiary under such policy.

Life Insurance Premiums

CREDITS ALLOWED

SEC. 216. That for the purpose of the normal tax only there shall be allowed the following credits:

Dividends

(a) The amount received as dividends from a corporation which is taxable under this title upon its net income, and amounts received as dividends from a personal service corporation out of earnings or profits upon which income tax has been imposed by Act of Congress;

Interest on U. S. Bonds

(b) The amount received as interest upon obligations of the United States and bonds issued by the War Finance Corporation, which is included in gross income under section 213;

Personal Exemption

(c) In the case of a single person, a personal exemption of \$1,000, or in the case of the head of a family or a married person living with husband or wife, a personal exemption of \$2,000. A husband and wife living together shall receive but one personal exemption of \$2,000 against their aggregate net income; and in case they make separate returns, the personal exemption of \$2,000 may be taken by either or divided between them;

Husband and Wife

Dependents

(d) \$200 for each person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer, if such dependent person is under eighteen years of age or is incapable of self-support because mentally or physically defective;

Nonresident Aliens

(e) In the case of a nonresident alien individual who is a citizen or subject of a country which imposes an income tax, the credits allowed in subdivisions (c) and (d) shall be allowed only if such country allows a similar credit to citizens of the United States not residing in such country.

NONRESIDENT ALIENS—ALLOWANCE OF DEDUCTIONS AND CREDITS

SEC. 217. That a nonresident alien individual shall receive the benefit of the deductions and credits allowed in this title only by filing or causing to be filed with the collector a true and accurate return of his total income received from all sources corporate or otherwise in the United States, in the manner prescribed by this title, including therein all the information which the Commissioner may deem necessary for the calculation of such deductions and credits: *Provided, That* the benefit of the credits allowed in subdivisions (c) and (d) of section 216 may, in the discretion of the Commissioner, and except as otherwise provided in subdivision (e) of that section, be received by filing a claim therefor with the withholding agent. In case of failure to file a return, the collector shall collect the tax on such income, and all property belonging to such nonresident alien individual shall be liable to distraint for the tax.

Must File Return

Claim for Exemption with With- holding Agent

Property Liable to Distraint

PARTNERSHIPS AND PERSONAL SERVICE CORPORATIONS

SEC. 218. (a) That individuals carrying on business in partnership shall be liable for income tax only in their individual capacity. There shall be included in computing the net income of each partner his distributive share, whether distributed or not, of the net income of the partnership for the taxable year, or, if his net income for such taxable year is computed upon the basis of a period different from that upon the basis of which the net income of the partnership is computed, then his distributive share of the net income of the partnership for any accounting period of the partnership ending within the fiscal or calendar year upon the basis of which the partner's net income is computed.

*Partners
Liable only
in Individual
Capacity*

*Accounting
Period of
Partnership
Different
from
Individual
Partners*

The partner shall, for the purpose of the normal tax, be allowed as credits, in addition to the credits allowed to him under section 216, his proportionate share of such amounts specified in subdivisions (a) and (b) of section 216 as are received by the partnership.

Credits

(b) If a fiscal year of a partnership ends during a calendar year for which the rates of tax differ from those for the preceding calendar year, then (1) the rates for such preceding calendar year shall apply to an amount of each partner's share of such partnership net income equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year, and (2) the rates for the calendar year during which such fiscal year ends shall apply to the remainder.

*Change of
Rates
During
Fiscal Year*

In the case of an individual member of a partnership which makes return for a fiscal year beginning in 1917 and ending in 1918, his proportionate share of any excess profits tax imposed upon the partnership under the Revenue Act of 1917 with respect to that part of such fiscal year falling in 1917, shall, for the purpose of determining the tax imposed by this title, be credited against that portion of the net income embraced in his personal return for the taxable year 1918 to which the rates for 1917 apply.

*Credit for
Excess
Profits Tax
for Fiscal
Year Ending
in 1918*

(d) The net income of the partnership shall be computed in the same manner and on the same basis as provided in section 212, except that the deduction provided in paragraph (11) of subdivision (a) of section 214 shall not be allowed.

*Computation
of Net
Income*

(e) Personal service corporations shall not be subject to taxation under this title, but the individual stockholders thereof shall be taxed in the same manner as the members of partnerships. All the provisions of this title relating to partnerships and the members thereof shall so far as practicable apply to personal service corporations and the stockholders thereof: *Provided*, That for the purpose of this subdivision

*Stockholders
of Personal
Service
Corporations
Taxed as
Members of
Partnerships*

amounts distributed by a personal service corporation during its taxable year shall be accounted for by the distributees; and any portion of the net income remaining undistributed at the close of its taxable year shall be accounted for by the stockholders of such corporation at the close of its taxable year in proportion to their respective shares.

ESTATES AND TRUSTS

SEC. 219. (a) That the tax imposed by section 210 and 211 shall apply to the income of estates or of any kind of property held in trust, including—

*Period of
Administration*

(1) Income received by estates of deceased persons during the period of administration or settlement of the estate;

*Accumulated
Income*

(2) Income accumulated in trust for the benefit of unborn or unascertained persons or persons with contingent interests;

*Future
Distribution*

(3) Income held for future distribution under the terms of the will or trust; and

*Income
Distributable*

(4) Income which is to be distributed to the beneficiaries periodically, whether or not at regular intervals, and the income collected by a guardian of an infant to be held or distributed as the court may direct.

Net Income

(b) The fiduciary shall be responsible for making the return of income for the estate or trust for which he acts. The net income of the estate or trust shall be computed in the same manner and on the same basis as provided in section 212, except that there shall also be allowed as a deduction (in lieu of the deduction authorized by paragraph (11) of subdivision (a) of section 214) any part of the gross income which, pursuant to the terms of the will or deed creating the trust, is during the taxable year paid to or permanently set aside for the United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, or any corporation organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual; and in cases under paragraph (4) of subdivision (a) of this section the fiduciary shall include in the return a statement of each beneficiary's distributive share of such net income, whether or not distributed before the close of the taxable year for which the return is made.

*Payment of
Tax by
Fiduciary*

(c) In cases under paragraph (1), (2), or (3) of subdivision (a) the tax shall be imposed upon the net income of the estate or trust and shall be paid by the fiduciary, except that in determining the net income of the estate of any deceased person during the period of administration or settlement there may be deducted the amount of any income properly paid or credited to any legatee, heir or other beneficiary. In such

cases the estate or trust shall, for the purpose of the normal tax, be allowed the same credits as are allowed to single persons under section 216.

(d) In cases under paragraph (4) of subdivision (a), and in the case of any income of an estate during the period of administration or settlement permitted by subdivision (c) to be deducted from the net income upon which tax is to be paid by the fiduciary, the tax shall not be paid by the fiduciary, but there shall be included in computing the net income of each beneficiary his distributive share, whether distributed or not, of the net income of the estate or trust for the taxable year, or, if his net income for such taxable year is computed upon the basis of a period different from that upon the basis of which the net income of the estate or trust is computed, then his distributive share of the net income of the estate or trust for any accounting period of such estate or trust ending within the fiscal or calendar year upon the basis of which such beneficiary's net income is computed. In such cases the beneficiary shall, for the purpose of the normal tax, be allowed as credits in addition to the credits allowed to him under section 216, his proportionate share of such amounts specified in subdivisions (a) and (b) of section 216 as are received by the estate or trust.

*Payments
of Tax by
Beneficiary*

PROFITS OF CORPORATIONS TAXABLE TO STOCKHOLDERS

SEC. 220. That if any corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its stockholders or members through the medium of permitting its gains and profits to accumulate instead of being divided or distributed, such corporation shall not be subject to the tax imposed by section 230, but the stockholders or members thereof shall be subject to taxation under this title in the same manner as provided in subdivision (e) of section 218 in the case of stockholders of a personal service corporation, except that the tax imposed by Title III shall be deducted from the net income of the corporation before the computation of the proportionate share of each stockholder or member. The fact that any corporation is a mere holding company, or that the gains and profits are permitted to accumulate beyond the reasonable needs of the business, shall be prima facie evidence of a purpose to escape the surtax; but the fact that the gains and profits are in any case permitted to accumulate and become surplus shall not be construed as evidence of a purpose to escape the tax in such case unless the Commissioner certifies that in his opinion such accumulation is unreasonable for the purposes of the business. When re-

*Accumula-
tion of
Profits*

quested by the Commissioner, or any collector, every corporation shall forward to him a correct statement of such gains and profits and the names and addresses of the individuals or shareholders who would be entitled to the same if divided or distributed, and of the amounts that would be payable to each.

PAYMENT OF TAX AT SOURCE

SEC. 221.(a) That all individuals, corporations and partnerships, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, employers, and all officers and employees of the United States, having the control, receipt, custody, disposal, or payment, of interest, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income, of any non-resident alien individual (other than income received as dividends from a corporation which is taxable under this title upon its net income) shall (except in the cases provided for in subdivision (b) and except as otherwise provided in regulations prescribed by the Commissioner under section 217) deduct and withhold from such annual or periodical gains, profits, and income a tax equal to 8 per centum thereof: *Provided*, That the Commissioner may authorize such tax to be deducted and withheld from the interest upon any securities the owners of which are not known to the withholding agent.

(b) In any case where bonds, mortgages, or deeds of trust, or other similar obligations of a corporation contain a contract or provision by which the obligor agrees to pay any portion of the tax imposed by this title upon the obligee, or to reimburse the obligee for any portion of the tax, or to pay the interest without deduction for any tax which the obligor may be required or permitted to pay thereon or to retain therefrom under any law of the United States, the obligor shall deduct and withhold a tax equal to 2 per centum of the interest upon such bonds, mortgages, deeds of trust, or other obligations, whether such interest is payable annually or at shorter or longer periods and whether payable to a nonresident alien individual or to an individual citizen or resident of the United States or to a partnership: *Provided*, That the Commissioner may authorize such tax to be deducted and withheld in the case of interest upon any such bonds, mortgages, deeds of trust or other obligations, the owners of which are not known to the withholding agent. Such deduction and withholding shall not be required in the case of a citizen or resident entitled to receive such interest, if he files with the withholding agent on or before February 1, a signed notice in writing claiming the benefit of the credits provided in subdivisions (c) and (d) of section 216; nor in the case of a nonresident alien individual if so provided for in regulations prescribed by the Commissioner under section 217.

*Miscellaneous
Income*

*Interest on
"Tax-Free"
Covenant
Bonds*

(c) Every individual, corporation, or partnership required to deduct and withhold any tax under this section shall make return thereof on or before March first of each year and shall on or before June fifteenth pay the tax to the official of the United States Government authorized to receive it. Every such individual, corporation, or partnership is hereby made liable for such tax and is hereby indemnified against the claims and demands of any individual, corporation, or partnership for the amount of any payments made in accordance with the provisions of this section.

*Returns of
Withholding
Agents*

(d) Income upon which any tax is required to be withheld at the source under this section shall be included in the return of the recipient of such income, but any amount of tax so withheld shall be credited against the amount of income tax as computed in such return.

*Credit
for Tax
Withheld*

(e) If any tax required under this section to be deducted and withheld is paid by the recipient of the income, it shall not be re-collected from the withholding agent; nor in cases in which the tax is so paid shall any penalty be imposed upon or collected from the recipient of the income or the withholding agent for failure to return or pay the same, unless such failure was fraudulent and for the purpose of evading payment.

CREDIT FOR TAXES

SEC. 222.(a) That the tax computed under Part II of this title shall be credited with:

(1) In the case of a citizen of the United States, the amount of any income, war-profits and excess-profits taxes paid during the taxable year to any foreign country, upon income derived from sources therein, or to any possession of the United States; and

Citizens

(2) In the case of a resident of the United States, the amount of any such taxes paid during the taxable year to any possession of the United States; and

Residents

(3) In the case of an alien resident of the United States who is a citizen or subject of a foreign country, the amount of any such taxes paid during the taxable year to such country, upon income derived from sources therein, if such country, in imposing such taxes, allows a similar credit to citizens of the United States residing in such country; and

*Alien
Residents*

(4) In the case of any such individual who is a member of a partnership or a beneficiary of an estate or trust, his proportionate share of such taxes of the partnership or the estate or trust paid during the taxable year to a foreign country or to any possession of the United States, as the case may be.

*Partner-
ships and
Estates*

(b) If accrued taxes when paid differ from the amounts claimed as credits by the taxpayer, or if any tax paid is refunded in whole or in part, the taxpayer shall notify the Commissioner who shall redetermine the amount of the tax due under Part II of this title for the year or years affected, and the amount of tax due upon such redetermination, if

*Accrued
Taxes*

any, shall be paid by the taxpayer upon notice and demand by the collector, or the amount of tax overpaid, if any, shall be credited or refunded to the taxpayer in accordance with the provisions of section 252. In the case of such a tax accrued but not paid, the Commissioner as a condition precedent to the allowance of this credit may require the taxpayer to give a bond with sureties satisfactory to and to be approved by the Commissioner in such penal sum as the Commissioner may require, conditioned for the payment by the taxpayer of any amount of tax found due upon any such redetermination; and the bond herein prescribed shall contain such further conditions as the Commissioner may require.

*When
Credits
Allowed*

(c) These credits shall be allowed only if the taxpayer furnishes evidence satisfactory to the Commissioner showing the amount of income derived from sources within such foreign country or such possession of the United States, and all other information necessary for the computation of such credits.

INDIVIDUAL RETURNS

*Single
Person*

SEC. 223. That every individual having a net income for the taxable year of \$1,000 or over if single or if married and not living with husband or wife, or of \$2,000 or over if married and living with husband or wife, shall make under oath a return stating specifically the items of his gross income and the deductions and credits allowed by this title. If a husband and wife living together have an aggregate net income of \$2,000 or over, each shall make such a return unless the income of each is included in a single joint return.

*Married
Person*

*Husband
and Wife*

*Return by
Agent*

If the taxpayer is unable to make his own return, the return shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

PARTNERSHIP RETURNS

*Returns to
be Filed by
Partnerships*

SEC. 224. That every partnership shall make a return for each taxable year, stating specifically the items of its gross income and the deductions allowed by this title, and shall include in the return the names and addresses of the individuals who would be entitled to share in the net income if distributed and the amount of the distributive share of each individual. The return shall be sworn to by any one of the partners.

FIDUCIARY RETURNS

*When
Required*

SEC. 225. That every fiduciary (except receivers appointed by authority of law in possession of part only of the property of an individual) shall make under oath a return for the individual, estate or trust for which he acts (1) if the net income of such individual is \$1,000 or over if single or if

married and not living with husband or wife, or \$2,000 or over if married and living with husband or wife, or (2) if the net income of such estate or trust is \$1,000 or over or if any beneficiary of such estate or trust is a nonresident alien, stating specifically the items of the gross income and the deductions and credits allowed by this title. Under such regulations as the Commissioner with the approval of the Secretary may prescribe, a return made by one of two or more joint fiduciaries and filed in the office of the collector of the district where such fiduciary resides shall be a sufficient compliance with the above requirement. The fiduciary shall make oath that he has sufficient knowledge of the affairs of such individual, estate or trust to enable him to make the return, and that the same is, to the best of his knowledge and belief, true and correct.

Fiduciaries required to make returns under this Act shall be subject to all the provisions of this Act which apply to individuals.

*Return by
Joint
Fiduciaries*

*Oath of
Fiduciary*

*Provisions
Applicable to
Fiduciaries*

RETURNS WHEN ACCOUNTING PERIOD CHANGED

SEC. 226. That if a taxpayer, with the approval of the Commissioner, changes the basis of computing net income from fiscal year to calendar year a separate return shall be made for the period between the close of the last fiscal year for which return was made and the following December 31. If the change is from calendar year to fiscal year, a separate return shall be made for the period between the close of the last calendar year for which return was made and the date designated as the close of the fiscal year. If the change is from one fiscal year to another fiscal year a separate return shall be made for the period between the close of the former fiscal year and the date designated as the close of the new fiscal year. If a taxpayer making his first return for income tax keeps his accounts on the basis of a fiscal year he shall make a separate return for the period between the beginning of the calendar year in which such fiscal year ends and the end of such fiscal year.

*From Fiscal
to Calendar
Year*

*From Calen-
dar to Fiscal
Year*

*From One
Fiscal Year
to Another*

In all of the above cases the net income shall be computed on the basis of such period for which separate return is made, and the tax shall be paid thereon at the rate for the calendar year in which such period is included; and the credits provided in subdivisions (c) and (d) of section 216 shall be reduced respectively to amounts which bear the same ratio to the full credits provided in such subdivisions as the number of months in such period bears to twelve months.

Net Income

*Rates of
Tax*

TIME AND PLACE FOR FILING RETURNS

SEC. 227.(a) That returns shall be made on or before the fifteenth day of the third month following the close of the fiscal

Time

Extension of Time year, or, if the return is made on the basis of the calendar year, then the return shall be made on or before the fifteenth day of March. The Commissioner may grant a reasonable extension of time for filing returns whenever in his judgment good cause exists and shall keep a record of every such extension and the reason therefor. Except in the case of taxpayers who are abroad, no such extension shall be for more than six months.

Place (b) Returns shall be made to the collector for the district in which is located the legal residence or principal place of business of the person making the return, or, if he has no legal residence or principal place of business in the United States, then to the collector at Baltimore, Maryland.

UNDERSTATEMENT IN RETURNS

Readjustment SEC. 228. That if the collector or deputy collector has reason to believe that the amount of any income return is understated, he shall give due notice to the taxpayer making the return to show cause why the amount of the return should not be increased, and upon proof of the amount understated, may increase the same accordingly. Such taxpayer may furnish sworn testimony to prove any relevant facts and if dissatisfied with the decision of the collector may appeal to the Commissioner for his decision, under such rules of procedure as may be prescribed by the Commissioner with the approval of the Secretary.

PART III.—CORPORATIONS

TAX ON CORPORATIONS

Rates SEC. 230.(a) That, in lieu of the taxes imposed by section 10 of the Revenue Act of 1916, as amended by the Revenue Act of 1917, and by section 4 of the Revenue Act of 1917, there shall be levied, collected, and paid for each taxable year upon the net income of every corporation, a tax at the following rates:

Year 1918 (1) For the calendar year 1918, 12 per centum of the amount of the net income in excess of the credits provided in section 236; and

Year 1919 (2) For each calendar year thereafter, 10 per centum of such excess amount.

Transportation Corporations (b) For the purposes of the Act approved March 21, 1918, entitled "An Act to provide for the operation of transportation systems while under Federal control, for the just compensation of their owners and for other purposes," five-sixths of the tax imposed by paragraph (1) of subdivision (a) and four-fifths of the tax imposed by paragraph (2) of subdivision (a) shall be treated as levied by an Act in amendment of Title I of the Revenue Act of 1917.

CONDITIONAL AND OTHER EXEMPTIONS

SEC. 231. That the following organizations shall be exempt from taxation under this title—

(1) Labor, agricultural, or horticultural organizations; *Corporations*
(2) Mutual savings banks not having a capital stock represented by shares; *Exempt*

(3) Fraternal beneficiary societies, orders, or associations, (a) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and (b) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents;

(4) Domestic building and loan associations and co-operative banks without capital stock organized and operated for mutual purposes and without profit;

(5) Cemetery companies owned and operated exclusively for the benefit of their members;

(6) Corporations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(7) Business leagues, chambers of commerce, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private stockholder or individual;

(8) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare;

(9) Clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private stockholder or member;

(10) Farmers' or other mutual hail, cyclone, or fire insurance companies, mutual ditch or irrigation companies, mutual or co-operative telephone companies, or like organizations of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting expenses;

(11) Farmers', fruit growers', or like associations, organized and operated as sales agents for the purpose of marketing the products of members and turning back to them the proceeds of sales, less the necessary selling expenses, on the basis of the quantity of produce furnished by them;

(12) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt from the tax imposed by this title;

(13) Federal land banks and national farm-loan associations as provided in section 26 of the Act approved July 17,

1916, entitled "An Act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes";

(14) Personal service corporations.

NET INCOME DEFINED

*Net
Income of
Corporations*

SEC. 232. That in the case of a corporation subject to the tax imposed by section 230 the term "net income" means the gross income as defined in section 233 less the deductions allowed by section 234, and the net income shall be computed on the same basis as is provided in subdivision (b) of section 212 or in section 226.

GROSS INCOME DEFINED

*Gross
Income*

SEC. 233.(a) That in the case of a corporation subject to the tax imposed by section 230 the term "gross income" means the gross income as defined in section 213, except that:

*Insurance
Companies*

(1) In the case of life insurance companies there shall not be included in gross income such portion of any actual premium received from any individual policyholder as is paid back or credited to or treated as an abatement of premium of such policyholder within the taxable year.

*Foreign
Corporations*

(2) Mutual marine insurance companies shall include in gross income the gross premiums collected and received by them less amounts paid for reinsurance.

(b) In the case of a foreign corporation gross income includes only the gross income from sources within the United States, including the interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, dividends from resident corporations, and including all amounts received (although paid under a contract for the sale of goods or otherwise) representing profits on the manufacture and disposition of goods within the United States.

DEDUCTIONS ALLOWED

Expenses

SEC. 234.(a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

(1) All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered, and including rentals or other payments required to be made as a condition to the continued use or possession of property to which the corporation has not taken or is not taking title, or on which it has no equity;

- (2) All interest paid or accrued within the taxable year on its indebtedness, except on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after September 24, 1917) the interest upon which is wholly exempt from taxation under this title as income to the taxpayer, or, in the case of a foreign corporation, the proportion of such interest which the amount of its gross income from sources within the United States bears to the amount of its gross income from all sources within and without the United States; *Interest*
- (3) Taxes paid or accrued within the taxable year imposed (a) by the authority of the United States, except income, war-profits and excess-profits taxes; or (b) by the authority of any of its possessions, except the amount of income, war-profits and excess-profits taxes allowed as a credit under section 238; or (c) by the authority of any State or Territory, or any county, school district, municipality, or other taxing subdivision of any State or Territory, not including those assessed against local benefits of a kind tending to increase the value of the property assessed; or (d) in the case of a domestic corporation, by the authority of any foreign country, except the amount of income, war-profits and excess-profits taxes allowed as a credit under section 238; or (e) in the case of a foreign corporation, by the authority of any foreign country (except income, war-profits and excess-profits taxes, and taxes assessed against local benefits of a kind tending to increase the value of the property assessed), upon the property or business: *Provided*, That in the case of obligors specified in subdivision (b) of section 221 no deduction for the payment of the tax imposed by this title or any other tax paid pursuant to the contract or provision referred to in that subdivision, shall be allowed; *Taxes, United States and Possessions*
State or Political Subdivision
Foreign Country
"Tax-Free" Bonds
- (4) Losses sustained during the taxable year and not compensated for by insurance or otherwise; *Losses*
- (5) Debts ascertained to be worthless and charged off within the taxable year; *Bad Debts*
- (6) Amounts received as dividends from a corporation which is taxable under this title upon its net income, and amounts received as dividends from a personal service corporation out of earnings or profits upon which income tax has been imposed by Act of Congress; *Dividends*
- (7) A reasonable allowance for the exhaustion, wear and tear of property used in the trade or business, including a reasonable allowance for obsolescence; *Depreciation*
- (8) In the case of buildings, machinery, equipment, or other facilities, constructed, erected, installed, or acquired, on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war, and in the case of vessels constructed or acquired on or after such date for the transportation of articles or men contributing to the prosecution of the present war, there shall be allowed a *Amortization*

Reexamination of Return

reasonable deduction for the amortization of such part of the cost of such facilities or vessels as has been borne by the taxpayer, but not again including any amount otherwise allowed under this title or previous acts of Congress as a deduction in computing net income. At any time within three years after the termination of the present war the Commissioner may, and at the request of the taxpayer shall, reexamine the return, and if he then finds as a result of an appraisal or from other evidence that the deduction originally allowed was incorrect, the taxes imposed by this title and by Title III for the year or years affected shall be redetermined; and the amount of tax due upon such redetermination, if any, shall be paid upon notice and demand by the collector, or the amount of tax overpaid, if any, shall be credited or refunded to the taxpayer in accordance with the provisions of section 252;

Depletion

(9) In the case of mines, oil and gas wells, other natural deposits, and timber, a reasonable allowance for depletion and for depreciation of improvements, according to the peculiar conditions in each case, based upon cost including cost of development not otherwise deducted: *Provided*, That in the case of such properties acquired prior to March 1, 1913, the fair market value of the property (or the taxpayer's interest therein) on that date shall be taken in lieu of cost up to that date: *Provided further*, That in the case of mines, oil and gas wells, discovered by the taxpayer, on or after March 1, 1913, and not acquired as the result of purchase of a proven tract or lease, where the fair market value of the property is materially disproportionate to the cost, the depletion allowance shall be based upon the fair market value of the property at the date of the discovery, or within thirty days thereafter; such reasonable allowance in all the above cases to be made under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary. In the case of leases the deductions allowed by this paragraph shall be equitably apportioned between the lessor and lessee;

Insurance Companies

(10) In the case of insurance companies, in addition to the above: (a) The net addition required by law to be made within the taxable year to reserve funds (including in the case of assessment insurance companies the actual deposit of sums with State or Territorial officers pursuant to law as additions to guarantee or reserve funds); and (b) the sums other than dividends paid within the taxable year on policy and annuity contracts;

Life Insurance

(11) In the case of corporations issuing policies covering life, health, and accident insurance combined in one policy issued on the weekly premium payment plan continuing for life and not subject to cancellation, in addition to the above, such portion of the net addition (not required by law) made within the taxable year to reserve funds as the Commissioner finds to be required for the protection of the holders of such policies only;

(12) In the case of mutual marine insurance companies, there shall be allowed, in addition to the deductions allowed in paragraphs (1) to (10), inclusive, amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment and the payment thereof;

*Mutual
Marine
Insurance
Companies*

(13) In the case of mutual insurance companies (other than mutual life or mutual marine insurance companies) requiring their members to make premium deposits to provide for losses and expenses, there shall be allowed, in addition to the deductions allowed in paragraphs (1) to (10), inclusive, (unless otherwise allowed under such paragraphs) the amount of premium deposits returned to their policyholders and the amount of premium deposits retained for the payment of losses, expenses, and reinsurance reserves;

*Mutual
Insurance
Companies*

(14) (a) At the time of filing return for the taxable year 1918 a taxpayer may file a claim in abatement based on the fact that he has sustained a substantial loss (whether or not actually realized by sale or other disposition) resulting from any material reduction (not due to temporary fluctuation) of the value of the inventory for such taxable year, or from the actual payment after the close of such taxable year of rebates in pursuance of contracts entered into during such year upon sales made during such year. In such case payment of the amount of the tax covered by such claim shall not be required until the claim is decided, but the taxpayer shall accompany his claim with a bond in double the amount of the tax covered by the claim, with sureties satisfactory to the Commissioner, conditioned for the payment of any part of such tax found to be due, with interest. If any part of such claim is disallowed then the remainder of the tax due shall on notice and demand by the collector be paid by the taxpayer with interest at the rate of 1 per centum per month from the time the tax would have been due had no such claim been filed. If it is shown to the satisfaction of the Commissioner that such substantial loss has been sustained, then in computing the taxes imposed by this title and by Title III the amount of such loss shall be deducted from the net income. (b) If no such claim is filed, but it is shown to the satisfaction of the Commissioner that during the taxable year 1919 the taxpayer has sustained a substantial loss of the character above described then the amount of such loss shall be deducted from the net income for the taxable year 1918 and the taxes imposed by this title and by Title III for such year shall be redetermined accordingly. Any amount found to be due to the taxpayer upon the basis of such redetermination shall be credited or refunded to the taxpayer in accordance with the provisions of section 252.

*Claim in
Abatement
for Inventory
and Contract
Losses
During 1918*

*Disallowance
of Claim*

*Claim
Not Filed*

(b) In the case of a foreign corporation the deductions allowed in subdivision (a), except those allowed in paragraph (2) and in clauses (a), (b), and (c) of paragraph (3), shall be allowed only if and to the extent that they are

*Deductions
Allowed
Foreign
Corporation*

connected with income arising from a source within the United States; and the proper apportionment and allocation of the deductions with respect to sources of income within and without the United States shall be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

ITEMS NOT DEDUCTIBLE

SEC. 235. That in computing net income no deduction shall in any case be allowed in respect of any of the items specified in section 215.

CREDITS ALLOWED

SEC. 236. That for the purpose only of the tax imposed by section 230 there shall be allowed the following credits:

Interest

(a) The amount received as interest upon obligations of the United States and bonds issued by the War Finance Corporation, which is included in gross income under section 233;

War-Profits and Excess- Profits Tax

(b) The amount of any taxes imposed by Title III for the same taxable year: *Provided*, That in the case of a corporation which makes return for a fiscal year beginning in 1917 and ending in 1918, in computing the tax as provided in subdivision (a) of section 205, the tax computed for the entire period under Title II of the Revenue Act of 1917 shall be credited against the net income computed for the entire period under Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917 and under Title I of the Revenue Act of 1917, and the tax computed for the entire period under Title III of this Act at the rates prescribed for the calendar year 1918 shall be credited against the net income computed for the entire period under this title; and

Specific Credit

(c) In the case of a domestic corporation, \$2,000.

PAYMENT OF TAX AT SOURCE

Foreign Corporations

SEC. 237. That in the case of foreign corporations subject to taxation under this title not engaged in trade or business within the United States and not having any office or place of business therein, there shall be deducted and withheld at the source in the same manner and upon the same items of income as is provided in section 221 a tax equal to 10 per centum thereof, and such tax shall be returned and paid in the same manner and subject to the same conditions as provided in that section: *Provided*, That in the case of interest described in subdivision (b) of that section the deduction and withholding shall be at the rate of 2 per centum.

CREDIT FOR TAXES

SEC. 238.(a) That in the case of a domestic corporation the total taxes imposed for the taxable year by this title and by

Title III shall be credited with the amount of any income, war-profits and excess-profits taxes paid during the taxable year to any foreign country, upon income derived from sources therein, or to any possession of the United States. *Taxes Paid Foreign Country*

If accrued taxes when paid differ from the amounts claimed as credits by the corporation, or if any tax paid is refunded in whole or in part, the corporation shall at once notify the Commissioner who shall redetermine the amount of the taxes due under this title and under Title III for the year or years affected, and the amount of taxes due upon such redetermination, if any, shall be paid by the corporation upon notice and demand by the collector, or the amount of taxes overpaid, if any, shall be credited or refunded to the corporation in accordance with the provisions of section 252. In the case of such a tax accrued but not paid, the Commissioner as a condition precedent to the allowance of this credit may require the corporation to give a bond with sureties satisfactory to and to be approved by him in such penal sum as he may require, conditioned for the payment by the taxpayer of any amount of taxes found due upon any such redetermination; and the bond herein prescribed shall contain such further conditions as the Commissioner may require.

(b) This credit shall be allowed only if the taxpayer furnishes evidence satisfactory to the Commissioner showing the amount of income derived from sources within such foreign country or such possession of the United States, as the case may be, and all other information necessary for the computation of such credit. *Evidence of Payment*

(c) If a domestic corporation makes a return for a fiscal year beginning in 1917 and ending in 1918, only that proportion of this credit shall be allowed which the part of such period within the calendar year 1918 bears to the entire period. *Fiscal Year 1917-1918*

CORPORATION RETURNS

SEC. 239. That every corporation subject to taxation under this title and every personal service corporation shall make a return, stating specifically the items of its gross income and the deductions and credits allowed by this title. The return shall be sworn to by the president, vice-president, or other principal officer and by the treasurer or assistant treasurer. If any foreign corporation has no office or place of business in the United States but has an agent in the United States, the return shall be made by the agent. In cases where receivers, trustees in bankruptcy, or assignees are operating the property or business of corporations, such receivers, trustees, or assignees shall make returns for such corporations in the same manner and form as corporations are required to make returns. Any tax due on the basis of such returns made by receivers, trustees, or assignees shall be collected in the same manner as if collected from the corporations of whose business or property they have custody and control. *When Required Execution Receivers, Etc. Collection of Tax*

Returns made under this section shall be subject to the provisions of sections 226 and 228.

When return is made under section 226 the credit provided in subdivision (c) of section 236 shall be reduced to an amount which bears the same ratio to the full credit therein provided as the number of months in the period for which such return is made bears to twelve months.

CONSOLIDATED RETURNS

*Must be
Made by
Affiliated
Corporations*

*Affiliated
Corporations
Organized
After August
1, 1914*

*Assessment
of Tax*

*Specific
Credit*

*Corporations
Deemed
Affiliated*

SEC. 240.(a) That corporations which are affiliated within the meaning of this section shall, under regulations to be prescribed by the Commissioner with the approval of the Secretary, make a consolidated return of net income and invested capital for the purposes of this title and Title III, and the taxes thereunder shall be computed and determined upon the basis of such return: *Provided*, That there shall be taken out of such consolidated net income and invested capital, the net income and invested capital of any such affiliated corporation organized after August 1, 1914, and not successor to a then existing business, 50 per centum or more of whose gross income consists of gains, profits, commissions, or other income, derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive. In such case the corporation so taken out shall be separately assessed on the basis of its own invested capital and net income and the remainder of such affiliated group shall be assessed on the basis of the remaining consolidated invested capital and net income.

In any case in which a tax is assessed upon the basis of a consolidated return, the total tax shall be computed in the first instance as a unit and shall then be assessed upon the respective affiliated corporations in such proportions as may be agreed upon among them, or, in the absence of any such agreement, then on the basis of the net income properly assignable to each. There shall be allowed in computing the income tax only one specific credit of \$2,000 (as provided in section 236); in computing the war-profits credit (as provided in section 311) only one specific exemption of \$3,000; and in computing the excess-profits credit (as provided in section 312) only one specific exemption of \$3,000.

(b) For the purpose of this section two or more domestic corporations shall be deemed to be affiliated (1) if one corporation owns directly or controls through closely affiliated interests or by a nominee or nominees substantially all the stock of the other or others, or (2) if substantially all the stock of two or more corporations is owned or controlled by the same interests.

(c) For the purposes of section 238 a domestic corporation which owns a majority of the voting stock of a foreign corporation shall be deemed to have paid the same proportion of

any income, war-profits and excess-profits taxes paid (but not including taxes accrued) by such foreign corporation during the taxable year to any foreign country or to any possession of the United States upon income derived from sources without the United States, which the amount of any dividends (not deductible under section 234) received by such domestic corporation from such foreign corporation during the taxable year bears to the total taxable income of such foreign corporation upon or with respect to which such taxes were paid: *Provided*, That in no such case shall the amount of the credit for such taxes exceed the amount of such dividends (not deductible under section 234) received by such domestic corporation during the taxable year. *Credit for Taxes*

TIME AND PLACE FOR FILING RETURNS

SEC. 241. (a) That returns of corporations shall be made at the same time as is provided in subdivision (a) of section 227. *Time*

(b) Returns shall be made to the collector of the district in which is located the principal place of business or principal office or agency of the corporation, or, if it has no principal place of business or principal office or agency in the United States, then to the collector at Baltimore, Maryland. *Place*

PART IV.—ADMINISTRATIVE PROVISIONS

PAYMENT OF TAXES

SEC. 250. (a) That except as otherwise provided in this section and sections 221 and 237 the tax shall be paid in four installments, each consisting of one-fourth of the total amount of the tax. The first installment shall be paid at the time fixed by law for filing the return, and the second installment shall be paid on the fifteenth day of the third month, the third installment on the fifteenth day of the sixth month, and the fourth installment on the fifteenth day of the ninth month, after the time fixed by law for filing the return. Where an extension of time for filing a return is granted the time for payment of the first installment shall be postponed until the date of the expiration of the period of the extension, but the time for payment of the other installments shall not be postponed unless the Commissioner so provides in granting the extension. In any case in which the time for the payment of any installment is at the request of the taxpayer thus postponed, there shall be added as part of such installment interest thereon at the rate of $\frac{1}{2}$ of 1 per centum per month from the time it would have been due if no extension had been granted until paid. If any installment is not paid when due, the whole amount of the tax unpaid shall become due and payable upon notice and demand by the collector. *Payments in Installments*
Interest When Time for Filing Return is Extended
Failure to Pay Installment

*Single
Payment*

The tax may at the option of the taxpayer be paid in a single payment instead of in installments, in which case the total amount shall be paid on or before the time fixed by law for filing the return, or, where an extension of time for filing the return has been granted, on or before the expiration of the period of such extension.

*Examination
of Return*

(b) As soon as practicable after the return is filed, the Commissioner shall examine it. If it then appears that the correct amount of the tax is greater or less than that shown in the return, the installments shall be recomputed. If the amount already paid exceeds that which should have been paid on the basis of the installments as recomputed, the excess so paid shall be credited against the subsequent installments; and if the amount already paid exceeds the correct amount of the tax, the excess shall be credited or refunded to the taxpayer in accordance with the provisions of section 252.

*Refund of
Excess*

*Under-
statement*

If the amount already paid is less than that which should have been paid, the difference shall, to the extent not covered by any credits then due to the taxpayer under section 252, be paid upon notice and demand by the collector. In such case if the return is made in good faith and the understatement of the amount in the return is not due to any fault of the taxpayer, there shall be no penalty because of such understatement. If the understatement is due to negligence on the part of the taxpayer, but without intent to defraud, there shall be added as part of the tax 5 per centum of the total amount of the deficiency, plus interest at the rate of 1 per centum per month on the amount of the deficiency of each installment from the time the installment was due.

If the understatement is false or fraudulent with intent to evade the tax, then, in lieu of the penalty provided by section 3176 of the Revised Statutes, as amended, for false or fraudulent returns wilfully made, but in addition to other penalties provided by law for false or fraudulent returns, there shall be added as part of the tax 50 per centum of the amount of the deficiency.

*Return
Under
R. S. 3176*

(c) If the return is made pursuant to section 3176 of the Revised Statutes as amended, the amount of tax determined to be due under such return shall be paid upon notice and demand by the collector.

*Limitation
on Time for
Collection
of Tax*

(d) Except in the case of false or fraudulent returns with intent to evade the tax, the amount of tax due under any return shall be determined and assessed by the Commissioner within five years after the return was due or was made, and no suit or proceeding for the collection of any tax shall be begun after the expiration of five years after the date when the return was due or was made. In the case of such false or fraudulent returns, the amount of tax due may be determined at any time after the return is filed, and the tax may be collected at any time after it becomes due.

(e) If any tax remains unpaid after the date when it is due, and for ten days after notice and demand by the collector, then, except in the case of estates of insane, deceased, or insolvent persons, there shall be added as part of the tax the sum of 5 per centum on the amount due but unpaid, plus interest at the rate of 1 per centum per month upon such amount from the time it became due: *Provided*, That as to any such amount which is the subject of a bona fide claim for abatement such sum of 5 per centum shall not be added and the interest from the time the amount was due until the claim is decided shall be at the rate of $\frac{1}{2}$ of 1 per centum per month.

*Interest on
Unpaid Tax*

In the case of the first installment provided for in subdivision (a) the instructions printed on the return shall be deemed sufficient notice of the date when the tax is due and sufficient demand, and the taxpayer's computation of the tax on the return shall be deemed sufficient notice of the amount due.

*Notice of
First
Installment*

(f) In any case in which in order to enforce payment of a tax it is necessary for a collector to cause a warrant of distraint to be served, there shall also be added as part of the tax the sum of \$5.

*Fee for
Warrant*

(g) If the Commissioner finds that a taxpayer designs quickly to depart from the United States or to remove his property therefrom, or to conceal himself or his property therein, or to do any other act tending to prejudice or to render wholly or partly ineffectual proceedings to collect the tax for the taxable year then last past or the taxable year then current unless such proceedings be brought without delay, the Commissioner shall declare the taxable period for such taxpayer terminated at the end of the calendar month then last past and shall cause notice of such finding and declaration to be given the taxpayer, together with a demand for immediate payment of the tax for the taxable period so declared terminated and of the tax for the preceding taxable year or so much of said tax as is unpaid, whether or not the time otherwise allowed by law for filing return and paying the tax has expired; and such taxes shall thereupon become immediately due and payable. In any action or suit brought to enforce payment of taxes made due and payable by virtue of the provisions of this subdivision the finding of the Commissioner, made as herein provided, whether made after notice to the taxpayer or not, shall be for all purposes presumptive evidence of the taxpayer's design. A taxpayer who is not in default in making any return or paying income, war profits, or excess-profits tax under any Act of Congress may furnish to the United States, under regulations to be prescribed by the Commissioner with the approval of the Secretary, security approved by the Commissioner that he will duly make the return next thereafter required to be filed and pay the tax next thereafter required to be paid. The Commissioner may approve

*Departure
or Removal
from U. S.*

*Concealment
of Person
or Property*

*Security for
Payment
of Tax*

and accept in like manner security for return and payment of taxes made due and payable by virtue of the provisions of this subdivision, provided the taxpayer has paid in full all other income, war-profits, or excess-profits taxes due from him under any Act of Congress. If security is approved and accepted pursuant to the provisions of this subdivision and such further or other security with respect to the tax or taxes covered thereby is given as the Commissioner shall from time to time find necessary and require, payment of such taxes shall not be enforced by any proceedings under the provisions of this subdivision prior to the expiration of the time otherwise allowed for paying such respective taxes.

RECEIPTS FOR TAXES

*Receipts
Given upon
Request*

SEC. 251. That every collector to whom any payment of any tax is made under the provisions of this title shall upon request give to the person making such payment a full written or printed receipt, stating the amount paid and the particular account for which such payment was made; and whenever any debtor pays taxes on account of payments made or to be made by him to separate creditors the collector shall, if requested by such debtor, give a separate receipt for the tax paid on account of each creditor in such form that the debtor can conveniently produce such receipts separately to his several creditors in satisfaction of their respective demands up to the amounts stated in the receipts; and such receipts shall be sufficient evidence in favor of such debtor to justify him in withholding from his next payment to his creditor the amount therein stated; but the creditor may, upon giving to his debtor a full written receipt acknowledging the payment to him of any sum actually paid and accepting the amount of tax paid as aforesaid (specifying the same) as a further satisfaction of the debt to that amount, require the surrender to him of such collector's receipt.

*Separate
Receipts
for Tax of
Creditors*

REFUNDS

SEC. 252. That if, upon examination of any return of income made pursuant to this Act, the Act of August 5, 1909, entitled "An Act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes," the Act of October 3, 1913, entitled "An Act to reduce tariff duties and to provide revenue for the Government, and for other purposes," the Revenue Act of 1916, as amended, or the Revenue Act of 1917, it appears that an amount of income, war-profits or excess-profits tax has been paid in excess of that properly due, then, notwithstanding the provisions of section 3228 of the Revised Statutes, the amount of the excess shall be credited against any income, war-profits or excess-profits taxes, or installment thereof, then due from the taxpayer under any other return, and any bal-

*Excess
Collections
to be
Credited or
Refunded*

ance of such excess shall be immediately refunded to the taxpayer: *Provided*, That no such credit or refund shall be allowed or made after five years from the date when the return was due, unless before the expiration of such five years a claim therefor is filed by the taxpayer. *Limitation of Time for Making Claim*

PENALTIES

SEC. 253. That any individual, corporation, or partnership required under this title to pay or collect any tax, to make a return or to supply information, who fails to pay or collect such tax, to make such return, or to supply such information at the time or times required under this title, shall be liable to a penalty of not more than \$1,000. Any individual, corporation, or partnership, or any officer or employee of any corporation or member or employee of a partnership, who willfully refuses to pay or collect such tax, to make such return, or to supply such information at the time or times required under this title, or who willfully attempts in any manner to defeat or evade the tax imposed by this title, shall be guilty of a misdemeanor and shall be fined not more than \$10,000 or imprisoned for not more than one year, or both, together with the costs of prosecution. *Failure to File Return, Supply Information, or Pay Tax*
Willful Refusal

RETURNS OF PAYMENTS OF DIVIDENDS

SEC. 254. That every corporation subject to the tax imposed by this title and every personal service corporation shall, when required by the Commissioner, render a correct return duly verified under oath, of its payments of dividends, stating the name and address of each stockholder, the number of shares owned by him, and the amount of dividends paid to him. *Dividends Paid to Stockholders*

RETURNS OF BROKERS

SEC. 255. That every individual, corporation, or partnership doing business as a broker shall, when required by the Commissioner, render a correct return duly verified under oath, under such rules and regulations as the Commissioner, with the approval of the Secretary, may prescribe, showing the names of customers for whom such individual, corporation, or partnership has transacted any business, with such details as to the profits, losses, or other information which the Commissioner may require, as to each of such customers, as will enable the Commissioner to determine whether all income tax due on profits or gains of such customers has been paid. *Profits of Customers*

INFORMATION AT SOURCE

SEC. 256. That all individuals, corporations, and partnerships, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, and employers, *Miscellaneous Income of, or at the Rate of, \$1,000 per Year*

making payment to another individual, corporation, or partnership, of interest, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed, or determinable gains, profits, and income (other than payments described in sections 254 and 255), of \$1,000 or more in any taxable year, or, in the case of such payments made by the United States, the officers or employees of the United States having information as to such payments and required to make returns in regard thereto by the regulations hereinafter provided for, shall render a true and accurate return to the Commissioner, under such regulations and in such form and manner and to such extent as may be prescribed by him with the approval of the Secretary, setting forth the amount of such gains, profits, and income, and the name and address of the recipient of such payment.

*Interest on
Bonds and
Dividends on
Foreign
Stocks*

Such returns may be required, regardless of amounts, (1) in the case of payments of interest upon bonds, mortgages, deeds of trust, or other similar obligations of corporations, and (2) in the case of collections of items (not payable in the United States) of interest upon the bonds of foreign countries and interest upon the bonds of and dividends from foreign corporations by individuals, corporations, or partnerships, undertaking as a matter of business or for profit the collection of foreign payments of such interest or dividends by means of coupons, checks, or bills of exchange.

*Information
from
Recipient*

When necessary to make effective the provisions of this section the name and address of the recipient of income shall be furnished upon demand of the individual, corporation, or partnership paying the income.

*Application
of
Provisions*

The provisions of this section shall apply to the calendar year 1918 and each calendar year thereafter, but shall not apply to the payment of interest on obligations of the United States.

RETURNS TO BE PUBLIC RECORDS

*Order of
President*

SEC. 257. That returns upon which the tax has been determined by the Commissioner shall constitute public records; but they shall be open to inspection only upon order of the President and under rules and regulations prescribed by the Secretary and approved by the President: *Provided*, That the proper officers of any State imposing an income tax may, upon the request of the governor thereof, have access to the returns of any corporation, or to an abstract thereof showing the name and income of the corporation, at such times and in such manner as the Secretary may prescribe: *Provided further*, That all bona fide stockholders of record owning 1 per centum or more of the outstanding stock of any corporation shall, upon making request of the Commissioner, be allowed to examine the annual income returns of such corporation and of its subsidiaries. Any stockholder who pursuant to the provisions of

*State
Officers*

*Stockholders
of Corpora-
tion*

this section is allowed to examine the return of any corporation, and who makes known in any manner whatever not provided by law the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any such return, shall be guilty of a misdemeanor and be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both.

The Commissioner shall as soon as practicable in each year cause to be prepared and made available to public inspection in such manner as he may determine, in the office of the collector in each internal-revenue district and in such other places as he may determine, lists containing the names and the post-office addresses of all individuals making income-tax returns in such district.

*Lists of
Taxpayers*

PUBLICATION OF STATISTICS

SEC. 258. That the Commissioner, with the approval of the Secretary, shall prepare and publish annually statistics reasonably available with respect to the operation of the income, war-profits and excess-profits tax laws, including classifications of taxpayers and of income, the amounts allowed as deductions, exemptions, and credits, and any other facts deemed pertinent and valuable.

*Annual
Publication*

COLLECTION OF FOREIGN ITEMS

SEC. 259. That all individuals, corporations, or partnerships undertaking as a matter of business or for profit the collections of foreign payments of interest or dividends by means of coupons, checks, or bills of exchange shall obtain a license from the Commissioner and shall be subject to such regulations enabling the Government to obtain the information required under this title as the Commissioner, with the approval of the Secretary, shall prescribe; and whoever knowingly undertakes to collect such payments without having obtained a license therefor, or without complying with such regulations, shall be guilty of a misdemeanor and shall be fined not more than \$5,000, or imprisoned for not more than one year, or both.

*Collection
Agents must
Obtain
License*

CITIZENS OF UNITED STATES POSSESSIONS

SEC. 260. That any individual who is a citizen of any possession of the United States (but not otherwise a citizen of the United States) and who is not a resident of the United States, shall be subject to taxation under this title only as to income derived from sources within the United States, and in such case the tax shall be computed and paid in the same manner and subject to the same conditions as in the case of other persons who are taxable only as to income derived from such sources.

*Taxed on
Income from
United
States*

PORTO RICO AND PHILIPPINE ISLANDS

*Act of 1916
as Amended*

SEC. 261. That in Porto Rico and the Philippine Islands the income tax shall be levied, assessed, collected, and paid in accordance with the provisions of the Revenue Act of 1916 as amended.

Individuals

Returns shall be made and taxes shall be paid under Title I of such Act in Porto Rico or the Philippine Islands, as the case may be, by (1) every individual who is a citizen or resident of Porto Rico or the Philippine Islands or derives income from sources therein, and (2) every corporation created or organized in Porto Rico or the Philippine Islands or deriving income from sources therein. An individual who is neither a citizen nor a resident of Porto Rico or the Philippine Islands but derives income from sources therein, shall be taxed in Porto Rico or the Philippine Islands as a nonresident alien individual, and a corporation created or organized outside Porto Rico or the Philippine Islands and deriving income from sources therein shall be taxed in Porto Rico or the Philippine Islands as a foreign corporation. For the purposes of section 216 and of paragraph (6) of subdivision (a) of section 234 a tax imposed in Porto Rico or the Philippine Islands upon the net income of a corporation shall not be deemed to be a tax under this title.

*Power to
Amend*

The Porto Rican or Philippine Legislature shall have power by due enactment to amend, alter, modify, or repeal the income tax laws in force in Porto Rico or the Philippine Islands, respectively.

Title III.

War-Profits and Excess-Profits Tax

Summary

CORPORATIONS SUBJECT TO TAX

Under the 1918 law, the war-profits and excess-profits tax is imposed only on the income of corporations and not on the income of individuals and partnerships.

The law specifically exempts from tax the following:

- (a) Corporations exempt from income tax;
- (b) Personal service corporations.
- (c) Corporations whose net income is less than \$3,000. (*Sec. 304.*)

CORPORATIONS ENGAGED IN GOLD MINING

If a corporation is engaged in the mining of gold, the net income derived from the mining of gold shall be exempt from war-profits and excess-profits tax, but the tax on other net income shall be the same proportion of a tax computed on the entire net income, without the benefit of this provision, which the taxable net income bears to the total net income. (*Sec. 304.*)

RETURNS

Corporations subject to the war-profits and excess-profits tax shall make returns and pay taxes at the same time, in the same manner and subject to the same conditions as provided in the income tax law. (*Sec. 335.*)

Corporations whose fiscal year begins in 1917 and ends in 1918 must file returns based on the Act of 1918 in order that the tax may be assessed in accordance with the provisions of Section 335.

RATES OF TAX AND BASIS OF ASSESSMENT

TAXABLE YEAR 1918

The war-profits and excess-profits tax for the year 1918 shall be the sum of the following:

First Bracket—30% of the net income in excess of the excess profits credit and not in excess of 20% of the invested capital;

Second Bracket—65% of the net income in excess of 20% of the invested capital;

Third Bracket—The amount by which 80% of the net income in excess of the war profits credit exceeds the sum of the taxes imposed under the first and second brackets. (Sec. 301.)

Illustration C

Computation of tax on corporation in existence during the pre-war period and having net income and invested capital as follows:

	Prewar Period	Taxable Year
Net Income	\$100,000	\$250,000
Invested Capital	500,000	700,000
Excess-Profits Credit—(Illustration G, page 89)		\$59,000
War-Profits Credit—(Illustration E, page 87)		123,000

Computation of Tax

		Tax
First Bracket—30% of (\$140,000 less \$59,000)	\$81,000	\$24,300
Second Bracket—65% of	110,000	71,500
Total First and Second Brackets		\$95,800
Third Bracket—80% of (\$250,000 less \$123,000), \$127,000	101,600	
Less Tax Under First and Second Brackets	95,800	
Difference		5,800
Total Tax—First, Second and Third Brackets		\$101,600

As will be seen from the foregoing, the war-profits and excess-profits tax is either, (1) the sum of tax computed under the first and second brackets, or (2) 80% of the net income less the war-profits credit, whichever is higher.

TAXABLE YEAR 1919 AND THEREAFTER

The war-profits and excess-profits tax for the year 1919 and thereafter shall be the sum of the following:

First Bracket—20% of the net income in excess of the excess-profits credit and not in excess of 20% of the invested capital;

Second Bracket—40% of the net income in excess of 20% of the invested capital. (Sec. 301.)

INCOME DERIVED FROM GOVERNMENT CONTRACTS IN 1919 AND THEREAFTER

For the taxable year 1919 and thereafter, every corporation which derives net income in excess of \$10,000 from any Government contract or contracts made between April 6, 1917 and November 11, 1918, shall pay a tax equal to the sum of the following:

- (1) Such a portion of the tax computed at the rate specified for 1918 as the part of the net income attributable to such Government contract or contracts bears to the entire net income, and
- (2) Such a portion of the tax computed at the rate specified for 1919 and thereafter as the part of the net income not attributable to such Government contract or contracts bears to the entire net income.

For the purpose of determining the portion of the net income attributable to such Government contracts the proper apportionment and allocation of deductions with respect to gross income which is derived from such Government contracts and from other sources, respectively, shall be determined under regulations prescribed by the Commissioner. (Sec. 301.)

FULL DEDUCTION OF CREDIT

If the excess-profits credit is greater than 20% of the invested capital, the excess thereof shall be allowed under the second bracket. (Sec. 301.)

LIMITATION OF TAX

The tax above imposed for 1918 shall not exceed 30% of the net income in excess of \$3,000 and not in excess of \$20,000, plus 80% of the net income in excess of \$20,000. For the year 1919 and thereafter, such tax shall not exceed the sum of 20% of the net income in excess of \$3,000 and not in excess of \$20,000, plus 40% of the net income in excess of \$20,000. The provisions of this section shall not be construed to increase the tax computed under Section 301. (Sec. 302.)

Illustration D

A corporation organized in 1911, which had no income during the prewar period, has an invested capital of \$30,000 and net income for the taxable year 1918 of \$100,000. Computed at the rates prescribed in the law for 1918, the tax would be as follows:

First Bracket—30% of (\$6,000 less \$5,400),	\$600	\$180
Second Bracket—65% of	94,000	61,100
<hr/>		
Total First and Second Brackets		\$61,280
Tax at 80% on (\$100,000 less \$6,000)	\$94,000	75,200
		<hr/>

As the 80% tax is greater than the sum of the first and second brackets, \$75,200 is the tax shown to be due. Under the limitation, however, placed on the tax in the foregoing paragraph, the maximum amount which may be assessed is as follows:

30% of (\$20,000 less \$3,000)	\$17,000	\$5,100
80% of	80,000	64,000
		<hr/>

Total War-Profits and Excess-Profits Tax \$69,100

TAX FOR FISCAL YEAR BEGINNING IN 1917

When a corporation makes its return on the basis of a fiscal year beginning in 1917 and ending in 1918, the tax paid for such year shall be the sum c

- (1) the same proportion of a tax for the entire period computed on the basis of the 1917 law, which the portion of such period falling in the year 1917 bears to the entire period, and
- (2) the same proportion of a tax for the entire period, computed on the basis of the 1918 law, which the portion of

such period falling in the calendar year 1918 bears to the entire period.

In the case of a partnership or a personal service corporation, the amount to be paid shall be only that included in clause (1) above.

A corresponding rule applies to corporations making returns for a fiscal year beginning in 1918 and ending in 1919. (*Sec. 335.*)

ADJUSTMENT OF TAX UNDER 1917 LAW

The 1918 law provides that excess-profits taxes heretofore or hereafter paid under the 1917 law for a fiscal year ending in 1918 shall be credited on the tax imposed as above provided under the 1918 law. If the amount paid is in excess of the tax imposed under the 1918 law, the balance shall be credited or refunded. (*Sec. 335.*)

In the case of a partnership or personal service corporation, no excess-profits tax shall be paid under the 1917 law for any period beginning on or after January 1, 1918, and any such tax which has been paid shall be immediately refunded to the partnership or corporation. (*Sec. 335.*)

SALE OF MINES AND WELLS

In the case of a bona fide sale of mines, oil or gas wells, or any interest therein, where the principal value was demonstrated by prospecting or exploration and discovery work done by the taxpayer, the amount of the war-profits and excess-profits tax attributable to such sale shall not exceed 20 per centum of the selling price of such property or interest. (*Sec. 337.*)

MIXED INCOME

If a corporation derives income both from business with invested capital and from business (the net income from which constitutes not less than 30% of the entire net income), which if transacted alone, would class it as a personal service corporation, the tax upon the net income from the business with invested capital shall be computed separately, allowing only the same proportionate part of the war-profits and excess-profits credits. The tax upon the

net income of the other business shall be the same percentage thereof as the tax upon the income from the business with invested capital is of the income from such business with invested capital. (Sec. 303.)

For example, if a corporation derives \$30,000 per year from business with invested capital upon which the war-profits and excess-profits tax, separately computed, amounts to \$12,000, and in addition thereto, derives \$50,000 income from business in which invested capital is not employed, the tax on such \$50,000 will be at the rate of 40%, or the same percentage as \$12,000 is of \$30,000.

The tax on income from the business without invested capital shall be not less than 20 per centum of the net income from such business unless the tax computed under Section 301 on the entire net income, is less than 20 per centum of such entire net income, in which case the tax shall be determined in the ordinary way without the benefit of this section. (Sec. 303.)

PREWAR PERIOD

"Prewar period" means the calendar years 1911, 1912 and 1913, or if the corporation was not in existence during the whole of such period, then as many of such years during the whole of which the corporation was in existence. (Sec. 310.)

CREDITS

WAR-PROFITS CREDIT

The war-profits credit is the sum of

- (1) the average net income of the prewar period reduced or increased, as the case may be, by 10% of the difference between the average invested capital for the prewar period and the invested capital for the taxable year, and
- (2) \$3,000.

If the tax is computed for a period of less than twelve months, the amount of such credit shall be reduced to the same proportion thereof as the number of months in the period is of twelve months. (Sec. 311.)

Illustration E

Computation of war profits credit of a corporation having net income and invested capital as follows:

	Prewar Period	Taxable Year
Net Income	\$100,000	\$250,000
Invested Capital	500,000	700,000

Computation of Credit

Net Income Taxable Year		\$250,000
Less Credit		
Prewar Income	\$100,000	
10% of Increase in Capital	20,000	
Specific Exemption	3,000	
Total Credit		123,000
Amount Taxable at 80%		\$127,000

CORPORATIONS HAVING NO NET INCOME DURING THE PREWAR PERIOD OR WHOSE CREDIT AS DETERMINED UNDER CLAUSE (1) "WAR PROFITS CREDIT" PAGE 86 IS LESS THAN 10% OF THE INVESTED CAPITAL FOR THE TAXABLE YEAR

The credit in the case of such corporations is the sum of

- (1) 10% of the invested capital for the taxable year, and
- (2) \$3,000. (Sec. 311.)

CORPORATIONS NOT IN EXISTENCE DURING THE WHOLE OF ONE CALENDAR YEAR DURING THE PREWAR PERIOD

The credit in the case of such corporations is the sum of

- (1) An amount equal to the same percentage of the invested capital of the taxpayer for the taxable year as the average percentage of net income to invested capital, for the prewar period, of corporations engaged in the same general class of business, but not less than 10% of the invested capital of the taxpayer for the taxable year, and
- (2) \$3,000. (Sec. 311.)

The war-profits credit shall be 10% of the invested capital for the taxable year, instead of the amount computed under clause 1 above, in the case of a corporation

which was not in existence during the whole of at least one calendar year during the prewar period, if

- (1) a majority of its stock is directly or indirectly owned or controlled at any time during the taxable year by a corporation which was in existence during the whole of at least one calendar year during the prewar period, or
- (2) 50% or more of its gross income consists of profits derived from Government contracts made between April 6, 1917 and November 11, 1918. (Sec. 311.)

DETERMINATION OF PERCENTAGE

The average percentage of corporations engaged in the same general class of business shall be determined by the Commissioner, but if not determined and published within thirty days prior to the time return is due, 10% of the invested capital shall be used as the basis of the credit. The tax will then be adjusted when the percentage is determined. (Sec. 311.)

Illustration F

Computation of war-profits credit of corporation not in existence on whole calendar year of prewar period, having net income and invested capital as follows:

Net Income—Taxable Year	\$250,000
Invested Capital—Taxable Year	700,000
Percentage of Net Income of Representative Corporations for Prewar Period to Invested Capital of such Corporations for Prewar Period (as assumed to have been determined by Commissioner)	12%

Computation of Credit

Net Income	\$250,000
Less Credit	
12% of \$700,000	\$84,000
Specific Exemption	<u>3,000</u>
Total Credit	87,000
Amount Taxable at 80%	<u>\$163,000</u>

EXCESS-PROFITS CREDIT

The excess-profits credit is the sum of

- (1) 8% of the invested capital for the taxable year, and
- (2) \$3,000. (Sec. 312.)

Illustration G

Computation of Excess-Profits Credit of Corporation having net income and invested capital as follows:

Invested Capital—Taxable Year	\$700,000
Computation of Credit,	
8% Invested Capital	\$56,000
Specific Exemption	3,000
<hr/>	
Total Credit	\$59,000

FOREIGN CORPORATIONS

Foreign corporations are not allowed the specific exemption of \$3,000 in connection with either war-profits or excess-profits credits. (*Sec. 310 and 311.*)

APPORTIONMENT OF SPECIFIC EXEMPTION

If tax is computed for a period of less than twelve months, the specific exemption of \$3,000 in the case of a domestic corporation, shall be reduced to a sum which is the same proportion of \$3,000 as the number of months constituting such period is of twelve months. (*Sec. 305.*)

NET INCOME

The net income of a corporation shall be determined as follows:

FOR THE YEARS 1911 AND 1912

Upon the same basis as under the Corporation Excise Tax Act of August 5, 1909, except that excise taxes imposed by such law and paid within the year shall be added. (*Sec. 320.*)

FOR THE YEAR 1913

Upon the same basis as under the Income Tax Act of October 3, 1913, except that the corporation excise tax imposed by the Act of August 5, 1909, paid within the year, shall be added and the amount of dividends of corporations, subject to income tax under the Income Tax Act of October 3, 1913, received by the corporation, shall be deducted. (*Sec. 320.*)

FOR THE TAXABLE YEAR

Upon the same basis as provided for income tax under the Act of 1918.

AVERAGE NET INCOME OF PREWAR PERIOD

The average net income for the prewar period is the total income for the full calendar years of the prewar period in which the corporation was in existence divided by the number of such years.

For example: If a corporation was organized July 1, 1911, and had net income for 1911, \$5,000; for 1912, none; and for 1913, \$12,000, the average net income would be the total net income for 1912 and 1913—\$12,000, divided by two, or \$6,000. The income for 1911 would not be considered because the corporation was in existence only part of the year. (Sec. 320.)

INVESTED CAPITAL

WHAT INVESTED CAPITAL INCLUDES

The law expressly places the computation of invested capital upon the basis of the cash or other property put into the business, plus the earned surplus and undivided profits, exclusive of earnings for the current taxable year; and not upon that of a present valuation or appraisal of its assets.

Invested capital, as used in the taxing act, includes:

- (1) Actual cash bona fide paid in for stock;
- (2) Actual cash value at the time of payment, of tangible property bona fide paid in for stock but not in excess of the par value of stock issued therefor, unless such cash value is substantially in excess of the par value, in which case such excess shall be treated as paid in surplus;
- (3) Paid in or earned surplus and undivided profits, exclusive of earnings during the taxable year;
- (4) Intangible property bona fide paid in for stock prior to March 3, 1917, not in excess of the lowest of the following three values:
 - (a) Actual cash value of property when paid in,
 - (b) Par value of stock issued therefor, or
 - (c) In the aggregate, 25% of the par value of the stock of the corporation, outstanding on March 3, 1917;

(5) Intangible property bona fide paid in for stock on or after March 3, 1917, not in excess of the lowest of the following three values:

- (a) Actual cash value of the property when paid in,
- (b) Par value of stock issued therefor, or
- (c) In the aggregate, 25% of the par value of the stock of the corporation, outstanding at the beginning of the taxable year. (Sec. 326.)

The total amount which may be included in invested capital on account of intangible property paid in for stock shall not exceed in the aggregate 25% of the par value of the stock or shares of the corporation outstanding at the beginning of the taxable year.

Illustration H

Computation of invested capital—intangible property paid in for stock

(Balance Sheet of Corporation December 31, 1917.)

Plant	\$250,000	Capital Stock	\$200,000
Inventory	175,000	Surplus	100,000
Bills Receivable	25,000	Bills Payable	200,000
Cash	50,000		
	<hr/>		<hr/>
	\$500,000		\$500,000

The invested capital as shown by the foregoing balance sheet is \$300,000, the sum of the capital and surplus.

It happens, however, that in January, 1915, \$100,000 cash was paid in for stock and in July, 1917, \$100,000 par value stock was issued for patents valued at \$110,000.

Under the law, if stock is issued for intangible property after March 3, 1917, the amount included in invested capital therefor shall not exceed the lowest of the following three values:

- (a) Actual cash value of the property when paid in,
- (b) Par value of stock issued therefor, or
- (c) In the aggregate, 25% of the par value of the capital stock outstanding at the beginning of the taxable year

As 25% of the capital stock of \$200,000, outstanding on January 1, 1918, the beginning of the taxable year of the corporation, is \$50,000, the amount which may be included in invested capital on account of the issue of \$100,000 worth of stock for intangible property of the cash value

of \$110,000, is limited to \$50,000. The invested capital accordingly, must be reduced by the difference between \$100,000, the par value of the stock issued, and \$50,000.

In the above case, therefore, the invested capital of \$300,000 represented by \$200,000 capital stock and \$100,000 surplus, must be reduced by the amount of \$50,000 on account of intangible property paid in for stock which leaves the invested capital of the corporation \$250,000, provided no further adjustments are necessary.

STOCK WITHOUT PAR VALUE

The par value of stock or shares shall, in the case of stock or shares issued at a nominal value, or having no par value, be deemed to be the fair market value as of the date on which such stock or shares was issued.

AVERAGE INVESTED CAPITAL

Invested capital means the average invested capital for the year.

Illustration I

The XYZ corporation, at the beginning of the year has an invested capital of \$150,000. On September 16, this capital is increased to \$200,000 and remains at this figure until the end of the year. The average invested capital is determined as follows:

\$150,000 for 8 months	\$1,200,000
*175,000 for September	175,000
200,000 for 3 months	600,000
Total	\$1,975,000
Average invested capital for year—total divided by 12 (months)	\$164,583.33
*Computation for September is as follows:	
\$150,000x15 (days)	\$2,250,000
200,000x15 (days)	3,000,000
Total	\$5,250,000
Average invested capital for September—total divided by 30 (days)	\$175,000

In the case of a corporation making a return for a fractional part of a year, the average invested capital shall be reduced to the same fractional part.

The average invested capital for the prewar period shall be determined by dividing the sum of the average invested capital for as many full calendar years of the prewar period as the corporation was in existence by the number of such years. (*Sec. 326.*)

DEFINITIONS

The terms "intangible property" and "tangible property" are defined in section 325 (page 101).

BORROWED CAPITAL

Money or other property borrowed, whether represented by bonds, notes, open accounts or otherwise, shall not be included in invested capital. (*Secs. 325 and 326.*)

DEDUCTION OF INADMISSIBLE ASSETS

The invested capital of a corporation must be reduced by an amount equal to the percentage which the amount of inadmissible assets is of the total amount of admissible and inadmissible assets held during the taxable year. (*Sec. 326.*)

Inadmissible assets include stocks, bonds and other obligations (other than obligations of the United States) the income from which is not included in net income. (*Sec. 325.*)

If income is derived from the sale of inadmissible assets or if all or part of the interest derived from such assets is in effect included in the net income because of the limitations on the deduction of interest under paragraph (2) of subdivision (a) of section 234, a corresponding part of the capital shall not be considered inadmissible assets. (*Sec. 325.*)

*Illustration J**Computation of Invested Capital,—Deduction of Inadmissible Assets*

(Corporation Balance Sheet, December 31, 1917)

<i>Assets</i>		<i>Liabilities</i>	
Plant	\$250,000	Capital Stock	
Inventory	175,000	(paid in)	\$150,000
Liberty Bonds	25,000	Surplus	25,000
State of New York		Undivided Profits	25,000
Bonds	25,000	Notes payable	200,000
Cash	25,000	Bills payable	100,000
<hr/> Total		<hr/>	
	\$500,000		\$500,000

In the case of the above corporation, the capital, surplus and undivided profits amount to \$200,000 which represents the invested capital of the corporation as defined in the law. Included in the assets of the corporation, however, are state bonds of the cost value of \$25,000 which are inadmissible assets and constitute 5% of the total assets of the corporation. The invested capital of \$200,000 will, therefore, have to be reduced 5%, leaving an invested capital of \$190,000, which amount would be used in computing the tax.

In the above example, it is assumed that no adjustments must be made on account of intangible property paid in for stock, and that no part of the State bonds may be included in invested capital because of profits from dealings in the same.

ASSESSMENT IN EXCEPTIONAL CASES

For relief in certain cases fully outlined in Section 327, (page 103), a special method of determining the tax is provided. In such cases, the tax is the amount which bears the same ratio to the net income of the taxpayer (in excess of the exemption of \$3,000) for the taxable year, as the average tax of representative corporations, engaged in a like or similar trade or business, bears to their average net income (in excess of the exemption of \$3,000) for such year. For this purpose, the Commissioner shall compare the taxpayer only with representative corporations whose invested capital can be satisfactorily determined and which are, as nearly as may be, similarly circumstanced with re-

spect to gross income, net income, and other relevant facts and circumstances. (*Sec. 328.*)

In cases falling under this provision, if the tax computed without the benefit of this section is less than 50% of the net income of the taxpayer, the installments in the first instance shall be computed on the basis of such tax. If the tax so computed is 50% or more of the net income, the installments in the first instance shall be based on a tax equal to 50% of the net income. When the percentage is ascertained, adjustment shall be made in accordance with the correct amount of tax found to be due. (*Sec. 328.*)

REORGANIZATION

AFTER JANUARY 1, 1911

In case of the reorganization, consolidation or change of ownership of a trade or business after January 1, 1911, the net income and invested capital of the predecessor for the prewar period shall be deemed to be the net income and invested capital for such period of the new organization now engaged in the business. If the predecessor was an individual or partnership, the net income for the prewar period shall be determined upon the same basis as provided for corporations under the 1918 act, a reasonable deduction being allowed for salaries to such individual or to the members of such partnership for personal services.

In case of certain assets as provided in Section 330 (page 104), such readjustments shall be made as are necessary to place the computation of the invested capital for the prewar period upon the same basis employed in determining invested capital for the taxable year.

AFTER MARCH 3, 1917

Where reorganization, consolidation or change of ownership of a trade or business, or change of ownership of property occurred after March 3, 1917, and 50 per centum or more of the interest or control therein remained in the same persons, the assets so transferred shall not be allowed a higher valuation in determining invested capital than under the previous ownership. If, however, the previous owner was not a corporation, the value of the assets transferred

shall be taken at the cost to the previous owner with proper allowance for depreciation, impairment, betterment, or development, but no addition shall be allowed for any items deducted by the previous owner as expense or otherwise since March 1, 1913, in computing his net income for purposes of taxation. (Sec. 331.)

INCORPORATION PRIOR TO JULY 1, 1919.

In case of the incorporation before July 1, 1919 of a trade or business in which capital is a material income-producing factor and which was previously owned by a partnership or individual, the income of such trade or business from January 1, 1918 to the date of incorporation may, at the option of the individual or partnership, be taxed as a corporation. In such event the net income and invested capital shall be computed as if the corporation had been in existence on and after January 1, 1918 and the undistributed profits or earnings of such trade or business shall not be subject to individual surtax, but the amounts distributed on and after January 1, 1918 shall be taxed as corporate dividends. This provision does not apply to a trade or business the net income of which, for the taxable year 1918, was less than 20% of its invested capital.

Any taxpayer electing to be taxed as a corporation shall be subject to the Federal Capital Stock Tax, as if such taxpayer had been a corporation on and after January 1, 1918 with a capital stock having no par value.

Text of Law—Title III.

PART I.—GENERAL DEFINITIONS

Definitions

SEC. 300. That when used in this title the terms "taxable year," "fiscal year," "personal service corporation," "paid or accrued," and "dividends" shall have the same meaning as provided for the purposes of income tax in sections 200 and 201. The first taxable year for the purposes of this title shall be the same as the first taxable year for the purposes of the income tax under Title II.

PART II.—IMPOSITION OF TAX

SEC. 301.(a) That in lieu of the tax imposed by Title II of the Revenue Act of 1917, but in addition to the other taxes

imposed by this Act, there shall be levied, collected, and paid *Rates of Tax for 1918*
for the taxable year 1918 upon the net income of every corporation a tax equal to the sum of the following:

FIRST BRACKET

30 per centum of the amount of the net income in excess of the excess-profits credit (determined under section 312) and not in excess of 20 per centum of the invested capital;

SECOND BRACKET

65 per centum of the amount of the net income in excess of 20 per centum of the invested capital;

THIRD BRACKET

The sum, if any, by which 80 per centum of the amount of the net income in excess of the war-profits credit (determined under section 311) exceeds the amount of the tax computed under the first and second brackets.

(b) For the taxable year 1919 and each taxable year thereafter there shall be levied, collected, and paid upon the net income of every corporation (except corporations taxable under subdivision (c) of this section) a tax equal to the sum of the following: *Rates of Tax for 1919 and Thereafter*

FIRST BRACKET

20 per centum of the amount of the net income in excess of the excess-profits credit (determined under section 312) and not in excess of 20 per centum of the invested capital;

SECOND BRACKET

40 per centum of the amount of the net income in excess of 20 per centum of the invested capital.

(c) For the taxable year 1919 and each taxable year thereafter there shall be levied, collected, and paid upon the net income of every corporation which derives in such year a net income of more than \$10,000 from any Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive, a tax equal to the sum of the following: *Income from Government Contracts in 1919*

(1) Such a portion of a tax computed at the rate specified in subdivision (a) as the part of the net income attributable to such Government contract or contracts bears to the entire net income. In computing such tax the excess-profits credit and the war-profits credit applicable to the taxable year shall be used;

(2) Such a portion of a tax computed at the rate specified in subdivision (b) as the part of the net income not attributable to such Government contract or contracts bears to the entire net income.

For the purpose of determining the part of the net income attributable to such Government contract or contracts, the proper

apportionment and allocation of the deductions with respect to gross income derived from such Government contract or contracts and from other sources, respectively, shall be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

*Full
Deduction
Allowed*

(d) In any case where the full amount of the excess-profits credit is not allowed under the first bracket of subdivision (a) or (b), by reason of the fact that such credit is in excess of 20 per centum of the invested capital, the part not so allowed shall be deducted from the amount in the second bracket.

*Transporta-
tion
Systems*

(e) For the purposes of the Act approved March 21, 1918, entitled "An Act to provide for the operation of transportation systems while under Federal control, for the just compensation of their owners and for other purposes," the tax imposed by this title shall be treated as levied by an Act in amendment of Title II of the Revenue Act of 1917.

*Limitations
on Amount
of Tax*

SEC. 302. That the tax imposed by subdivision (a) of section 301 shall in no case be more than 30 per centum of the amount of the net income in excess of \$3,000 and not in excess of \$20,000, plus 80 per centum of the amount of the net income in excess of \$20,000; the tax imposed by subdivision (b) of section 301 shall in no case be more than 20 per centum of the amount of the net income in excess of \$3,000 and not in excess of \$20,000, plus 40 per centum of the amount of the net income in excess of \$20,000; and the above limitations shall apply to the taxes computed under subdivisions (a) and (b) of section 301, respectively, when used in subdivision (c) of that section. Nothing in this section shall be construed in such manner as to increase the tax imposed by section 301.

*Income
Partially
from
Business
with
Invested
Capital*

SEC. 303. That if part of the net income of a corporation is derived (1) from a trade or business (or a branch of a trade or business) in which the employment of capital is necessary, and (2) a part (constituting not less than 30 per centum of its total net income) is derived from a separate trade or business (or a distinctly separate branch of the trade or business) which if constituting the sole trade or business would bring it within the class of "personal service corporations," then (under regulations prescribed by the Commissioner with the approval of the Secretary) the tax upon the first part of such net income shall be separately computed (allowing in such computation only the same proportionate part of the credits authorized in sections 311 and 312), and the tax upon the second part shall be the same percentage thereof as the tax so computed upon the first part is of such first part: *Provided*, That the tax upon such second part shall in no case be less than 20 per centum thereof, unless the tax upon the entire net income, if computed without benefit of this section, would constitute less than 20 per centum of such entire net income, in which event the tax shall be determined upon the entire

net income, without reference to this section, as other taxes are determined under this title. The total tax computed under this section shall be subject to the limitations provided in section 302.

SEC. 304.(a) That the corporations enumerated in section 231 shall, to the extent that they are exempt from income tax under Title II, be exempt from taxation under this title. *Corporations Exempt*

(b) Any corporation whose net income for the taxable year is less than \$3,000 shall be exempt from taxation under this title. *Income Less than \$3,000*

*(d) In the case of any corporation engaged in the mining of gold, the portion of the net income derived from the mining of gold shall be exempt from the tax imposed by this title, and the tax on the remaining portion of the net income shall be the proportion of a tax computed without the benefit of this subdivision which such remaining portion of the net income bears to the entire net income. *Gold Mining*

SEC. 305. That if a tax is computed under this title for a period of less than twelve months, the specific exemption of \$3,000, wherever referred to in this title, shall be reduced to an amount which is the same proportion of \$3,000 as the number of months in the period is of twelve months. *Apportionment of Exemption*

PART III.—CREDITS

SEC. 310. That as used in this title the term "prewar period" means the calendar years 1911, 1912, and 1913, or, if a corporation was not in existence during the whole of such period, then as many of such years during the whole of which the corporation was in existence. *Prewar Period*

SEC. 311.(a) That the war-profits credit shall consist of the sum of: *War-Profits Credit*

(1) A specific exemption of \$3,000; and

(2) An amount equal to the average net income of the corporation for the prewar period, plus or minus, as the case may be, 10 per centum of the difference between the average invested capital for the prewar period and the invested capital for the taxable year. If the tax is computed for a period of less than twelve months such amount shall be reduced to the same proportion thereof as the number of months in the period is of twelve months.

(b) If the corporation had no net income for the prewar period, or if the amount computed under paragraph (2) of subdivision (a) is less than 10 per centum of its invested capital for the taxable year, then the war-profits credit shall be the sum of: *Corporation with no Prewar Income*

(1) A specific exemption of \$3,000; and

(2) An amount equal to 10 per centum of the invested capital for the taxable year.

*The letter (d) appears in the bill as printed. There is no paragraph (c)

*Corporation
not in
Existence
in Prewar
Period*

(c) If the corporation was not in existence during the whole of at least one calendar year during the prewar period, then, except as provided in subdivision (d), the war-profits credit shall be the sum of:

(1) A specific exemption of \$3,000; and

(2) An amount equal to the same percentage of the invested capital of the taxpayer for the taxable year as the average percentage of net income to invested capital, for the prewar period, of corporations engaged in a trade or business of the same general class as that conducted by the taxpayer; but such amount shall in no case be less than 10 per centum of the invested capital of the taxpayer for the taxable year. Such average percentage shall be determined by the Commissioner on the basis of data contained in returns made under Title II of the Revenue Act of 1917, and the average known as the median shall be used. If such average percentage has not been determined and published at least 30 days prior to the time when the return of the taxpayer is due, then for purposes of such return 10 per centum shall be used in lieu thereof; but such average percentage when determined shall be used for the purposes of section 250 in determining the correct amount of the tax.

(d) The war-profits credit shall be determined in the manner provided in subdivision (b) instead of in the manner provided in subdivision (c), in the case of any corporation which was not in existence during the whole of at least one calendar year during the prewar period, if (1) a majority of its stock at any time during the taxable year is owned or controlled, directly or indirectly, by a corporation which was in existence during the whole of at least one calendar year during the prewar period, or if (2) 50 per centum or more of its gross income (as computed under section 233 for income tax purposes) consists of gains, profits, commissions, or other income, derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive

*Foreign
Corporation*

(e) A foreign corporation shall not be entitled to a specific exemption of \$3,000.

*Excess-
Profits
Credit*

SEC. 312. That the excess-profits credit shall consist of a specific exemption of \$3,000 plus an amount equal to 8 per centum of the invested capital for the taxable year.

A foreign corporation shall not be entitled to the specific exemption of \$3,000.

PART IV.—NET INCOME

*For the
Years 1911
and 1912*

SEC. 320.(a) That for the purpose of this title the net income of a corporation shall be ascertained and returned—

(1) For the calendar years 1911 and 1912 upon the same basis and in the same manner as provided in section 38 of the Act entitled "An Act to provide revenue, equalize duties,

and encourage the industries of the United States, and for other purposes," approved August 5, 1909, except that taxes imposed by such section and paid by the corporation within the year shall be included;

(2) For the calendar year 1913 upon the same basis and in the same manner as provided in Section II of the Act entitled "An Act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October 3, 1913, except that taxes imposed by section 38 of such Act of August 5, 1909, and paid by the corporation within the year shall be included, and except that the amounts received by it as dividends upon the stock or from the net earnings of other corporations subject to the tax imposed by Section II of such Act of October 3, 1913, shall be deducted; and

*For the
Year 1913*

(3) For the taxable year upon the same basis and in the same manner as provided for income tax purposes in Title II of this Act.

*For the
Taxable
Year*

(b) The average net income for the prewar period shall be determined by dividing the number of years within that period during the whole of which the corporation was in existence into the sum of the net income for such years, even though there may have been no net income for one or more of such years.

*Average
Net Income*

PART V.—INVESTED CAPITAL

SEC. 325.(a) That as used in this title—

The term "intangible property" means patents, copyrights, secret processes and formulae, good will, trade-marks, trade-brands, franchises, and other like property;

*Intangible
Property*

The term "tangible property" means stocks, bonds, notes, and other evidences of indebtedness, bills and accounts receivable, leaseholds, and other property other than intangible property;

*Tangible
Property*

The term "borrowed capital" means money or other property borrowed, whether represented by bonds, notes, open accounts, or otherwise;

*Borrowed
Capital*

The term "inadmissible assets" means stocks, bonds, and other obligations (other than obligations of the United States), the dividends or interest from which is not included in computing net income, but where the income derived from such assets consists in part of gain or profit derived from the sale or other disposition thereof, or where all or part of the interest derived from such assets is in effect included in the net income because of the limitation on the deduction of interest under paragraph (2) of subdivision (a) of section 234, a corresponding part of the capital invested in such assets shall not be deemed to be inadmissible assets;

*Inadmis-
sible
Assets*

The term "admissible assets" means all assets other than inadmissible assets, valued in accordance with the provi-

*Admissible
Assets*

sions of subdivision (a) of section 326, section 330, and section 331.

*Value of
Stock*

(b) For the purposes of this title, the par value of stock or shares shall, in the case of stock or shares issued at a nominal value or having no par value, be deemed to be the fair market value as of the date or dates of issue of such stock or shares.

*Invested
Capital*

SEC. 326.(a) That as used in this title the term "invested capital" for any year means (except as provided in subdivisions (b) and (c) of this section):

Cash

(1) Actual cash bona fide paid in for stock or shares;

*Cash Value
of Tangible
Property*

(2) Actual cash value of tangible property, other than cash, bona fide paid in for stock or shares, at the time of such payment, but in no case to exceed the par value of the original stock or shares specifically issued therefor, unless the actual cash value of such tangible property at the time paid in is shown to the satisfaction of the Commissioner to have been clearly and substantially in excess of such par value, in which case such excess shall be treated as paid-in surplus: *Provided*, That the Commissioner shall keep a record of all cases in which tangible property is included in invested capital at a value in excess of the stock or shares issued therefor, containing the name and address of each taxpayer, the business in which engaged, the amount of invested capital and net income shown by the return, the value of the tangible property at the time paid in, the par value of the stock or shares specifically issued therefor, and the amount included under this paragraph as paid-in surplus. The Commissioner shall furnish a copy of such record and other detailed information with respect to such cases when required by resolution of either House of Congress, without regard to the restrictions contained in section 257;

*Surplus and
Undivided
Profits*

(3) Paid-in or earned surplus and undivided profits; not including surplus and undivided profits earned during the year;

*Intangible
Property
Paid in
prior to
March 3,
1917*

(4) Intangible property bona fide paid in for stock or shares prior to March 3, 1917, in an amount not exceeding (a) the actual cash value of such property at the time paid in, (b) the par value of the stock or shares issued therefor, or (c) in the aggregate 25 per centum of the par value of the total stock or shares of the corporation outstanding on March 3, 1917, whichever is lowest;

*Intangible
Property
Paid in
after March
3, 1917*

(5) Intangible property bona fide paid in for stock or shares on or after March 3, 1917, in an amount not exceeding (a) the actual cash value of such property at the time paid in, (b) the par value of the stock or shares issued therefor, or (c) in the aggregate 25 per centum of the par value of the total stock or shares of the corporation outstanding at the beginning of the taxable year, whichever is lowest: *Provided*, That in no case shall the total amount included under paragraphs (4)

and (5) exceed in the aggregate 25 per centum of the par value of the total stock or shares of the corporation outstanding at the beginning of the taxable year; but

(b) As used in this title the term "invested capital" does not include borrowed capital.

(c) There shall be deducted from invested capital as above defined a percentage thereof equal to the percentage which the amount of inadmissible assets is of the amount of admissible and inadmissible assets held during the taxable year.

(d) The invested capital for any period shall be the average invested capital for such period, but in the case of a corporation making a return for a fractional part of a year, it shall (except for the purpose of paragraph (2) of subdivision (a) of section 311) be the same fractional part of such average invested capital.

The average invested capital for the prewar period shall be determined by dividing the number of years within that period during the whole of which the corporation was in existence into the sum of the average invested capital for such years.

SEC. 327. That in the following cases the tax shall be determined as provided in section 328:

(a) Where the Commissioner is unable to determine the invested capital as provided in section 326;

(b) In the case of a foreign corporation;

(c) Where a mixed aggregate of tangible property and intangible property has been paid in for stock or for stock and bonds and the Commissioner is unable satisfactorily to determine the respective values of the several classes of property at the time of payment, or to distinguish the classes of property paid in for stock and for bonds, respectively;

(d) Where upon application by the corporation the Commissioner finds and so declares of record that the tax if determined without benefit of this section would, owing to abnormal conditions affecting the capital or income of the corporation, work upon the corporation an exceptional hardship evidenced by gross disproportion between the tax computed without benefit of this section and the tax computed by reference to the representative corporations specified in section 328. This subdivision shall not apply to any case (1) in which the tax (computed without benefit of this section) is high merely because the corporation earned within the taxable year a high rate of profits upon a normal invested capital nor (2) in which 50 per centum or more of the gross income of the corporation for the taxable year (computed under section 233 of Title II) consists of gains, profits, commissions, or other income, derived on a cost-plus basis from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

SEC. 328. (a) In the cases specified in section 327 the tax shall be the amount which bears the same ratio to the net

*Borrowed
Capital*

*Deduction of
Inadmissible
Assets*

*Average
Invested
Capital*

*Special
Cases*

*Assessment
on Basis
of Represent-
ative
Corporations*

income of the taxpayer (in excess of the specific exemption of \$3,000) for the taxable year, as the average tax of representative corporations engaged in a like or similar trade or business, bears to their average net income (in excess of the specific exemption of \$3,000) for such year. In the case of a foreign corporation the tax shall be computed without deducting the specific exemption of \$3,000 either for the taxpayer or the representative corporations.

In computing the tax under this section the Commissioner shall compare the taxpayer only with representative corporations whose invested capital can be satisfactorily determined under section 326 and which are, as nearly as may be, similarly circumstanced with respect to gross income, net income, profits per unit of business transacted and capital employed, the amount and rate of war profits or excess profits, and all other relevant facts and circumstances.

*Ratio
Determined
by Com-
missioner*

(b) For the purposes of subdivision (a) the ratios between the average tax and the average net income of representative corporations shall be determined by the Commissioner in accordance with regulations prescribed by him with the approval of the Secretary.

*Basis of
Determining
Initial
Payments*

In cases in which the tax is to be computed under this section, if the tax as computed without the benefit of this section is less than 50 per centum of the net income of the taxpayer, the installments shall in the first instance be computed upon the basis of such tax; but if the tax so computed is 50 per centum or more of the net income, the installments shall in the first instance be computed upon the basis of a tax equal to 50 per centum of the net income. In any case, the actual ratio when ascertained shall be used in determining the correct amount of the tax. If the correct amount of the tax when determined exceeds 50 per centum of the net income, any excess of the correct installments over the amounts actually paid shall on notice and demand be paid together with interest at the rate of $\frac{1}{2}$ of 1 per centum per month on such excess from the time the installment was due.

*Record of
Assessments*

(c) The Commissioner shall keep a record of all cases in which the tax is determined in the manner prescribed in subdivision (a), containing the name and address of each taxpayer, the business in which engaged, the amount of invested capital and net income shown by the return, and the amount of invested capital as determined under such subdivision. The Commissioner shall furnish a copy of such record and other detailed information with respect to such cases when required by resolution of either House of Congress, without regard to the restrictions contained in section 257.

PART VI.—REORGANIZATIONS

SEC. 330. That in the case of the reorganization, consolidation, or change of ownership after January 1, 1911, of

a trade or business now carried on by a corporation, the corporation shall for the purposes of this title be deemed to have been in existence prior to that date, and the net income and invested capital of such predecessor trade or business for all or any part of the prewar period prior to the organization of the corporation now carrying on such trade or business shall be deemed to have been the net income and invested capital of such corporation. If such predecessor trade or business was carried on by a partnership or individual the net income for the prewar period shall, under regulations prescribed by the Commissioner with the approval of the Secretary, be ascertained and returned as nearly as may be upon the same basis and in the same manner as provided for corporations in Title II, including a reasonable deduction for salary or compensation to each partner or the individual for personal services actually rendered.

*Business
of Predecessor*

*Net Income
of Predecessor*

In the case of the organization as a corporation before July 1, 1919, of any trade or business in which capital is a material income-producing factor and which was previously owned by a partnership or individual, the net income of such trade or business from January 1, 1918, to the date of such reorganization may at the option of the individual or partnership be taxed as the net income of a corporation is taxed under Titles II and III; in which event the net income and invested capital of such trade or business shall be computed as if such corporation had been in existence on and after January 1, 1918, and the undistributed profits or earnings of such trade or business shall not be subject to the surtax imposed in section 211, but amounts distributed on or after January 1, 1918, from the earnings of such trade or business shall be taxed to the recipients as dividends, and all the provisions of Titles II and III relating to corporations shall, so far as practicable, apply to such trade or business: *Provided*, That this paragraph shall not apply to any trade or business the net income of which for the taxable year 1918 was less than 20 per centum of its invested capital for such year: *Provided further*, That any taxpayer who takes advantage of this paragraph shall pay the tax imposed by section 1000 of this act and by the first subdivision of section 407 of the Revenue Act of 1916, as if such taxpayer had been a corporation on and after January 1, 1918, with a capital stock having no par value.

*Incorporation
Prior to
July 1, 1919*

If any asset of the trade or business in existence both during the taxable year and any prewar year is included in the invested capital for the taxable year but is not included in the invested capital for such prewar year, or is valued on a different basis in computing the invested capital for the taxable year and such prewar year, respectively, then under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary such readjustments shall be made as are necessary to place the computation of the in-

*Adjustment
of Invested
Capital*

vested capital for such prewar year on the basis employed in determining the invested capital for the taxable year.

*Change of
Ownership,
over Fifty
Per Centum
Interest
Remaining
in Same
Persons*

SEC. 331. In the case of the reorganization, consolidation, or change of ownership of a trade or business, or change of ownership of property, after March 3, 1917, if an interest or control in such trade or business or property of 50 per centum or more remains in the same persons, or any of them, then no asset transferred or received from the previous owner shall, for the purpose of determining invested capital, be allowed a greater value than would have been allowed under this title in computing the invested capital of such previous owner if such asset had not been so transferred or received: *Provided*, That if such previous owner was not a corporation, then the value of any asset so transferred or received shall be taken at its cost of acquisition (at the date when acquired by such previous owner) with proper allowance for depreciation, impairment, betterment or development, but no addition to the original cost shall be made for any charge or expenditure deducted as expense or otherwise on or after March 1, 1913, in computing the net income of such previous owner for purposes of taxation.

PART VII.—MISCELLANEOUS

SEC. 335.(a) That if a corporation (other than a personal service corporation) makes return for a fiscal year beginning in 1917 and ending in 1918, the tax for the first taxable year under this title shall be the sum of:

*Computation
of Tax for
Fiscal Year*

(1) The same proportion of a tax for the entire period computed under Title II of the Revenue Act of 1917 which the portion of such period falling within the calendar year 1917 is of the entire period, and (2) the same proportion of a tax for the entire period computed under this title at the rate specified in subdivision (a) of section 301 which the portion of such period falling within the calendar year 1918 is of the entire period.

*Credit for
Tax Paid
under Act
of 1917*

Any amount heretofore or hereafter paid on account of the tax imposed for such fiscal year by Title II of the Revenue Act of 1917 shall be credited toward the payment of the tax imposed for such fiscal year by this title, and if the amount so paid exceeds the amount of the tax imposed by this title, the excess shall be credited or refunded to the corporation in accordance with the provisions of section 252.

*Fiscal Year
Beginning
in 1918
and Ending
in 1919*

(b) If a corporation makes return for a fiscal year beginning in 1918 and ending in 1919, the tax for such fiscal year under this title shall be the sum of: (1) the same proportion of a tax for the entire period computed under subdivision (a) of section 301 which the portion of such period falling within the calendar year 1918 is of the entire period, and (2) the same proportion of a tax for the entire period computed under subdivision (b) or (c) of section 301 which the portion

of such period falling within the calendar year 1919 is of the entire period.

(c) If a partnership or a personal service corporation makes return for a fiscal year beginning in 1917 and ending in 1918, it shall pay the same proportion of a tax for the entire period computed under Title II of the Revenue Act of 1917 which the portion of such period falling within the calendar year 1917 is of the entire period.

*Partnership
and Personal
Service
Corporation*

Any tax paid by a partnership or personal service corporation for any period beginning on or after January 1, 1918, shall be immediately refunded to the partnership or corporation as a tax erroneously or illegally collected.

SEC. 336. That every corporation, not exempt under section 304, shall make a return for the purposes of this title. Such returns shall be made, and the taxes imposed by this title shall be paid, at the same times and places, in the same manner, and subject to the same conditions, as is provided in the case of returns and payment of income tax by corporations for the purposes of Title II, and all the provisions of that title, not inapplicable, including penalties, are hereby made applicable to the taxes imposed by this title.

Returns

SEC. 337. That in the case of a bona fide sale of mines, oil or gas wells, or any interest therein, where the principal value of the property has been demonstrated by prospecting or exploration and discovery work done by the taxpayer, the portion of the tax imposed by this title attributable to such sale shall not exceed 20 per centum of the selling price of such property or interest.

*Sale of
Mines, Oil
and Gas
Wells*

Title IV.—Estate Tax

Summary

The tax is in lieu of the tax imposed by the Revenue Acts of 1916 and 1917 and is upon the transfer of the net estate of every decedent dying after the passage of the law, whether a resident or nonresident of the United States. The following schedule shows the rates effective: (Sec. 401).

		<i>Tax on Sepa- rate Amounts in First Column</i>		<i>Tax on Total of Amounts in First Column</i>
<i>Net Estate</i>	<i>Rate of Tax</i>			
First \$50,000*	Exempt			
Next 50,000	1%	\$500		\$500
100,000	2%	2,000		2,500
100,000	3%	3,000		5,500
200,000	4%	8,000		13,500
300,000	6%	18,000		31,500
250,000	8%	20,000		51,500
500,000	10%	50,000		101,500
500,000	12%	60,000		161,500
1,000,000	14%	140,000		301,500
1,000,000	16%	160,000		461,500
1,000,000	18%	180,000		641,500
3,000,000	20%	600,000		1,241,500
2,000,000	22%	440,000		1,681,500
In excess of				
10,000,000	25%

*Not allowed estates of nonresidents.

TRANSFERS NOT TAXABLE

The tax imposed by the 1918 law, or by Title II of the Revenue Act of 1916 as amended by the Act of March 3, 1917, or by the Revenue Act of 1917, shall not apply to the transfer of the net estate of a decedent who has died or may die while serving in the military or naval forces of the United States in the present war or from injuries received or disease contracted while in such service. Any tax so collected shall be refunded. (Sec. 401.)

NET ESTATE

The net estate, in the case of residents, shall be determined by deducting from the gross estate the items allowed under Section 403-a (page 113); in the case of nonresidents, by deducting from that part of the gross estate which at the time of the decedent's death is situated in the United States, such items as are allowed under Section 403-b (page 114), the deduction being limited to 10 per centum of the value of that part of the gross estate which, at the decedent's death, is situated in the United States. The following property is deemed to be situated within the United States:

- (1) Stock in a domestic corporation owned and held by a non-resident decedent;
- (2) Amounts receivable as insurance upon the life of a non-resident decedent where the insurer is a domestic corporation;
- (3) Property which the decedent has transferred or with respect to which he has created a trust within the meaning of section 402-c, if so situated at the time of the transfer or the creation of the trust, or at the decedent's death.

The deductions, in the case of nonresidents, are allowed only if the executor includes in his return the value at the decedent's death of that part of the gross estate not situated in the United States. (Sec. 403-b.)

GROSS ESTATE

The gross estate shall be determined by including the value at the time of the decedent's death of all property, wherever situated, to the extent provided in Section 402 (page 112).

NOTICE AND RETURN BY EXECUTOR

Within 60 days after qualifying, or after coming into possession of any property of a decedent, whichever first occurs, the executor* shall notify the collector* and make a return, under prescribed regulations, in all cases where the

*NOTE: "Executor" means the executor or administrator of the decedent, or if none, any person who takes possession of the decedent's property. "Collector" means the collector of the district in which was the domicile of the decedent at the time of his death, or if there was no domicile in the United States, then the collector of the district in which is situated the part of the decedent's gross estate in the United States, or if situated in more than one district, the collector of any district designated by the Commissioner. (Sec. 400.)

gross estate at the decedent's death exceeds \$50,000, and in the case of the estate of every nonresident, any part of whose gross estate is situated in the United States. (Sec. 404.)

PAYMENT

The tax shall be due one year after the decedent's death, but if payment at such time imposes undue hardship upon the estate, an extension of time may be granted for a period not exceeding three years. If not paid within one year and 180 days after the decedent's death, interest at the rate of 6% per annum from the expiration of one year after his death shall be added to the tax. (Sec. 406.)

The executor shall pay the tax to the collector in accordance with the provisions of Section 407 (page 116). If not paid within 180 days after it is due, the collector, unless there is reasonable cause for further delay, shall collect the tax in accordance with the provisions of the law. (Sec. 408.) Unless sooner paid in full, the tax shall be a lien for ten years upon the decedent's gross estate, except as otherwise provided in Section 409.

So far as practicable and unless otherwise directed by the will of the decedent the tax shall be paid out of the estate before its distribution. (Sec. 408.)

TRANSFERS IN CONTEMPLATION OF DEATH AND INSURANCE

If the decedent makes a transfer of, or creates a trust with respect to any property in contemplation of or intended to take effect in possession or enjoyment at or after his death, (except in the case of a bona fide sale), or if insurance passes to a specific beneficiary under a contract executed by the decedent, the transferee, trustee, or beneficiary shall be personally liable for the tax, if not paid when due, and the decedent's interest in such property at the time of transfer, or the beneficiary's interest under such contract of insurance, shall be subject to a lien equal to the amount of tax. If sold to bona fide purchaser, the property shall be divested of such lien and a like lien attach to all the property of the transferee or trustee, except that sold to a bona fide purchaser. (Sec. 409.)

PENALTIES

A person who knowingly makes a false statement in any notice or return, shall be liable to a penalty of not exceeding \$5,000 or imprisonment for not exceeding one year, or both. A person who fails to file the required returns, or having in his possession or control, records, files, or papers supposed to contain information concerning the decedent's estate, or having possession or control of property comprised in the gross estate, who, upon request, fails to exhibit the same to the Commissioner, or other authorized officer desiring to examine the same in the performance of his official duties, shall be liable to a penalty not exceeding \$500. (Sec. 410)

Text of Law—Title IV.

SEC. 400. That when used in this title—

The term "executor" means the executor or administrator of the decedent, or, if there is no executor or administrator, any person who takes possession of any property of the decedent; and *Executor*

The term "collector" means the collector of internal revenue of the district in which was the domicile of the decedent at the time of his death, or, if there was no such domicile in the United States, then the collector of the district in which is situated the part of the gross estate of the decedent in the United States, or, if such part of the gross estate is situated in more than one district, then the collector of internal revenue of such district as may be designated by the Commissioner. *Collector*

SEC. 401. That (in lieu of the tax imposed by Title II of the Revenue Act of 1916, as amended, and in lieu of the tax imposed by Title IX of the Revenue Act of 1917) a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in section 403) is hereby imposed upon the transfer of the net estate of every decedent dying after the passage of this Act, whether a resident or nonresident of the United States:

1 per centum of the amount of the net estate not in excess of \$50,000; *Rates of Tax*

2 per centum of the amount by which the net estate exceeds \$50,000 and does not exceed \$150,000;

3 per centum of the amount by which the net estate exceeds \$150,000 and does not exceed \$250,000;

4 per centum of the amount by which the net estate exceeds \$250,000 and does not exceed \$450,000;

6 per centum of the amount by which the net estate exceeds \$450,000 and does not exceed \$750,000;

8 per centum of the amount by which the net estate exceeds \$750,000 and does not exceed \$1,000,000;

10 per centum of the amount by which the net estate exceeds \$1,000,000 and does not exceed \$1,500,000;

12 per centum of the amount by which the net estate exceeds \$1,500,000 and does not exceed \$2,000,000;

14 per centum of the amount by which the net estate exceeds \$2,000,000 and does not exceed \$3,000,000;

16 per centum of the amount by which the net estate exceeds \$3,000,000 and does not exceed \$4,000,000;

18 per centum of the amount by which the net estate exceeds \$4,000,000 and does not exceed \$5,000,000;

20 per centum of the amount by which the net estate exceeds \$5,000,000 and does not exceed \$8,000,000;

22 per centum of the amount by which the net estate exceeds \$8,000,000 and does not exceed \$10,000,000; and

25 per centum of the amount by which the net estate exceeds \$10,000,000.

The taxes imposed by this title or by Title II of the Revenue Act of 1916 (as amended by the Act entitled "An Act to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes," approved March 3, 1917) or by Title IX of the Revenue Act of 1917, shall not apply to the transfer of the net estate of any decedent who has died or may die while serving in the military or naval forces of the United States in the present war or from injuries received or disease contracted while in such service, and any such tax collected upon such transfer shall be refunded to the executor.

*Transfers
not Taxable*

*Gross
Estate—how
Determined*

SEC. 402. That the value of the gross estate of the decedent shall be determined by including the value at the time of his death of all property, real or personal, tangible or intangible, wherever situated—

*Interest
Subject to
Charges
Against
Estate*

(a) To the extent of the interest therein of the decedent at the time of his death which after his death is subject to the payment of the charges against his estate and the expenses of its administration and is subject to distribution as part of his estate;

*Dower and
Courtesy*

(b) To the extent of any interest therein of the surviving spouse, existing at the time of the decedent's death as dower, courtesy, or by virtue of a statute creating an estate in lieu of dower or courtesy;

*Transfers in
Contempla-
tion of Death*

(c) To the extent of any interest therein of which the decedent has at any time made a transfer, or with respect to which he has at any time created a trust, in contemplation of or intended to take effect in possession or enjoyment at or after his death (whether such transfer or trust is made or created before or after the passage of this Act), except in case of a bona fide sale for a fair consideration in money or

money's worth. Any transfer of a material part of his property in the nature of a final disposition or distribution thereof, made by the decedent within two years prior to his death without such a consideration, shall, unless shown to the contrary, be deemed to have been made in contemplation of death within the meaning of this title;

(d) To the extent of the interest therein held jointly or as tenants in the entirety by the decedent and any other person, or deposited in banks or other institutions in their joint names and payable to either or the survivor, except such part thereof as may be shown to have originally belonged to such other person and never to have belonged to the decedent;

Interest of Joint Tenants or of Tenants in the Entirety

(e) To the extent of any property passing under a general power of appointment exercised by the decedent (1) by will, or (2) by deed executed in contemplation of, or intended to take effect in possession or enjoyment at or after, his death, except in case of a bona fide sale for a fair consideration in money or money's worth; and

Property Passing under General Power

(f) To the extent of the amount receivable by the executor as insurance under policies taken out by the decedent upon his own life; and to the extent of the excess over \$40,000 of the amount receivable by all other beneficiaries as insurance under policies taken out by the decedent upon his own life.

Insurance Receivable

SEC. 403. That for the purpose of the tax the value of the net estate shall be determined—

Net Estate—How Determined in Case of Resident

(a) In the case of a resident, by deducting from the value of the gross estate—

(1) Such amounts for funeral expenses, administration expenses, claims against the estate, unpaid mortgages, losses incurred during the settlement of the estate arising from fires, storms, shipwreck, or other casualty, or from theft, when such losses are not compensated for by insurance or otherwise, and such amounts reasonably required and actually expended for the support during the settlement of the estate of those dependent upon the decedent, as are allowed by the laws of the jurisdiction, whether within or without the United States, under which the estate is being administered, but not including any income taxes upon income received after the death of the decedent, or any estate, succession, legacy, or inheritance taxes;

Funeral and other Expenses, Losses, etc.

(2) An amount equal to the value at the time of the decedent's death of any property, real, personal, or mixed, which can be identified as having been received by the decedent as a share in the estate of any person who died within five years prior to the death of the decedent, or which can be identified as having been acquired by the decedent in exchange for property so received, if an estate tax under the Revenue Act of 1917 or under this Act was collected from such estate, and if such property is included in the decedent's gross estate;

Decedent's Share in Estate of Other Decedent

*Bequests
to U. S.,
States, etc.*

(3) The amount of all bequests, legacies, devises, or gifts, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public purposes, or to or for the use of any corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees exclusively for such religious, charitable, scientific, literary, or educational purposes. This deduction shall be made in case of the estates of all decedents who have died since December 31, 1917; and

*In Case of
Nonresident*

(4) An exemption of \$50,000;

(b) In the case of a nonresident, by deducting from the value of that part of his gross estate which at the time of his death is situated in the United States—

*Deduction
Proportioned
to Property
in U. S.*

(1) That proportion of the deductions specified in paragraph (1) of subdivision (a) of this section which the value of such part bears to the value of his entire gross estate, wherever situated, but in no case shall the amount so deducted exceed 10 per centum of the value of that part of his gross estate which at the time of his death is situated in the United States;

*Decedent's
Share in
Estate of
Other
Decedent*

(2) An amount equal to the value at the time of the decedent's death of any property, real, personal, or mixed, which can be identified as having been received by the decedent as a share in the estate of any person who died within five years prior to the death of the decedent, or which can be identified as having been acquired by the decedent in exchange for property so received, if an estate tax under the Revenue Act of 1917 or under this Act was collected from such estate, and if such property is included in that part of the decedent's gross estate which at the time of his death is situated in the United States; and

*Bequests to
U. S., States,
etc.*

(3) The amount of all bequests, legacies, devises, or gifts, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public purposes, or to or for the use of any domestic corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees exclusively for such religious, charitable, scientific, literary, or educational purposes within the United States. This deduction shall be made in case of the estates of all decedents who have died since December 31, 1917; and

No deductions shall be allowed in the case of a nonresident unless the executor includes in the return required to be filed

under section 404 the value at the time of his death of that part of the gross estate of the nonresident not situated in the United States.

*Deductions
Contingent
on Return*

For the purpose of this title stock in a domestic corporation owned and held by a nonresident decedent, and the amount receivable as insurance upon the life of a nonresident decedent where the insurer is a domestic corporation, shall be deemed property within the United States, and any property of which the decedent has made a transfer or with respect to which he has created a trust, within the meaning of subdivision (c) of section 402, shall be deemed to be situated in the United States, if so situated either at the time of the transfer or the creation of the trust, or at the time of the decedent's death.

*Property
Within
United States*

In the case of any estate in respect to which the tax under existing law has been paid, 'if necessary to allow the benefit of the deduction under paragraph (3) of subdivision (a) or (b) the tax shall be redetermined and any excess of tax paid shall be refunded to the executor.

Sec. 404. That the executor, within sixty days after qualifying as such, or after coming into possession of any property of the decedent, whichever event first occurs, shall give written notice thereof to the collector. The executor shall also, at such times and in such manner as may be required by regulations made pursuant to law, file with the collector a return under oath in duplicate, setting forth (a) the value of the gross estate of the decedent at the time of his death, or, in case of a nonresident, of that part of his gross estate situated in the United States; (b) the deductions allowed under section 403; (c) the value of the net estate of the decedent as defined in section 403; and (d) the tax paid or payable thereon; or such part of such information as may at the time be ascertainable and such supplemental data as may be necessary to establish the correct tax.

*Duties of
Executor*

Return shall be made in all cases where the gross estate at the death of the decedent exceeds \$50,000, and in the case of the estate of every nonresident any part of whose gross estate is situated in the United States. If the executor is unable to make a complete return as to any part of the gross estate of the decedent, he shall include in his return a description of such part and the name of every person holding a legal or beneficial interest therein, and upon notice from the collector such person shall in like manner make a return as to such part of the gross estate. The Commissioner shall make all assessments of the tax under the authority of existing administrative special and general provisions of law relating to the assessment and collection of taxes.

*Returns—
When Made*

Sec. 405. That if no administration is granted upon the estate of a decedent, or if no return is filed as provided in section 404, or if a return contains a false or incorrect statement of a material fact, the collector or deputy collector shall make a return and the Commissioner shall assess the tax thereon.

*Return by
Collector*

*Tax—
When Due*

SEC. 406. That the tax shall be due one year after the decedent's death; but in any case where the Commissioner finds that payment of the tax within one year after the decedent's death would impose undue hardship upon the estate, he may grant an extension of time for the payment of the tax for a period not to exceed three years from the due date. If the tax is not paid within one year and 180 days after the decedent's death, interest at the rate of 6 per centum per annum from the expiration of one year after the decedent's death shall be added as part of the tax.

*When Tax
Cannot be
Determined*

SEC. 407. That the executor shall pay the tax to the collector or deputy collector. If the amount of the tax can not be determined, the payment of a sum of money sufficient, in the opinion of the collector, to discharge the tax shall be deemed payment in full of the tax, except as in this section otherwise provided. If the amount so paid exceeds the amount of the tax as finally determined, the Commissioner shall refund such excess to the executor. If the amount of the tax as finally determined exceeds the amount so paid, the collector shall notify the executor of the amount of such excess and demand payment thereof. If such excess part of the tax is not paid within thirty days after such notification, interest shall be added thereto at the rate of 10 per centum per annum from the expiration of such thirty days' period until paid, and the amount of such excess shall be a lien upon the entire gross estate, except such part thereof as may have been sold to a bona fide purchaser for a fair consideration in money or money's worth.

Receipts

The collector shall grant to the person paying the tax duplicate receipts, either of which shall be sufficient evidence of such payment, and shall entitle the executor to be credited and allowed the amount thereof by any court having jurisdiction to audit or settle his accounts.

*Failure to
Pay Tax
When Due*

SEC. 408. That if the tax herein imposed is not paid within 180 days after it is due, the collector shall, unless there is reasonable cause for further delay, proceed to collect the tax under the provisions of general law, or commence appropriate proceedings in any court of the United States, in the name of the United States, to subject the property of the decedent to be sold under the judgment or decree of the court. From the proceeds of such sale the amount of the tax, together with the costs and expenses of every description to be allowed by the court, shall be first paid, and the balance shall be deposited according to the order of the court, to be paid under its direction to the person entitled thereto.

*Equitable
Contribution
by Bene-
ficiaries*

If the tax or any part thereof is paid by, or collected out of that part of the estate passing to or in the possession of, any person other than the executor in his capacity as such, such person shall be entitled to reimbursement out of any part of the estate still undistributed or by a just and equitable contribution by the persons whose interest in the estate of the

decedent would have been reduced if the tax had been paid before the distribution of the estate or whose interest is subject to equal or prior liability for the payment of taxes, debts, or other charges against the estate, it being the purpose and intent of this title that so far as is practicable and unless otherwise directed by the will of the decedent the tax shall be paid out of the estate before its distribution. If any part of the gross estate consists of proceeds of policies of insurance upon the life of the decedent receivable by a beneficiary other than the executor, the executor shall be entitled to recover from such beneficiary such portion of the total tax paid as the proceeds, in excess of \$40,000, of such policies bear to the net estate. If there is more than one such beneficiary the executor shall be entitled to recover from such beneficiaries in the same ratio.

SEC. 409. That unless the tax is sooner paid in full, it shall be a lien for ten years upon the gross estate of the decedent, except that such part of the gross estate as is used for the payment of charges against the estate and expenses of its administration, allowed by any court having jurisdiction thereof, shall be divested of such lien. If the Commissioner is satisfied that the tax liability of an estate has been fully discharged or provided for, he may, under regulations prescribed by him with the approval of the Secretary, issue his certificate releasing any or all property of such estate from the lien herein imposed.

*Tax is
Lien on
Property*

If (a) the decedent makes a transfer of, or creates a trust with respect to, any property in contemplation of or intended to take effect in possession or enjoyment at or after his death (except in the case of a bona fide sale for a fair consideration in money or money's worth) or (b) if insurance passes under a contract executed by the decedent in favor of a specific beneficiary, and if in either case the tax in respect thereto is not paid when due, then the transferee, trustee, or beneficiary shall be personally liable for such tax, and such property, to the extent of the decedent's interest therein at the time of such transfer, or to the extent of such beneficiary's interest under such contract of insurance, shall be subject to a like lien equal to the amount of such tax. Any part of such property sold by such transferee or trustee to a bona fide purchaser for a fair consideration in money or money's worth shall be divested of the lien and a like lien shall then attach to all the property of such transferee or trustee, except any part sold to a bona fide purchaser for a fair consideration in money or money's worth.

*Transferee
Liable for
Tax*

*Property
Sold to
Bona Fide
Purchaser*

SEC. 410. That whoever knowingly makes any false statement in any notice or return required to be filed under this title shall be liable to a penalty of not exceeding \$5,000, or imprisonment not exceeding one year, or both.

Penalty

Whoever fails to comply with any duty imposed upon him by section 404, or, having in his possession or control any rec-

ord, file, or paper, containing or supposed to contain any information concerning the estate of the decedent, or, having in his possession or control any property comprised in the gross estate of the decedent, fails to exhibit the same upon request to the Commissioner or any collector or law officer of the United States, or his duly authorized deputy or agent, who desires to examine the same in the performance of his duties under this title, shall be liable to a penalty of not exceeding \$500, to be recovered, with costs of suit, in a civil action in the name of the United States.

Title V.—Tax on Transportation and Other Facilities, and on Insurance

In Lieu of Taxes Imposed by Act of October 3, 1917
(Effective April 1, 1919)

Summary

FACILITIES FURNISHED BY PUBLIC UTILITIES*

EXPRESS	T A X
From point in U. S. to another in U. S.—per each 20c. or fraction paid therefor. (Sec. 500-b.)	\$.01
From point without U. S. to point within U. S.—per each 20c. or fraction thereof paid for transportation within U. S. (Sec. 500-b.)	.01

FREIGHT

From point in U. S. to another in U. S.—on amount paid therefor	3%
From point without U. S. to point within U. S.—on amount paid for transportation within U. S. (Sec. 500-a.)	3%

*NOTE: Tax imposed hereunder:

- (1) Shall be paid by person paying for service. (Sec. 501-a.)
- (2) Shall apply to all services or facilities specified when rendered for hire, whether or not agency rendering them is a common carrier. (Sec. 501-c.)
- [(3) On transportation (except pipe line), shall be paid by carrier who ships own property for which no pay is received the same as if transportation charges were received. If tax cannot be computed from tariffs of the carrier, it shall be determined by tariffs of other carriers for like services. (Sec. 501-c.)
- (4) Shall apply, except in case of pipe line, only to such services or facilities as are rendered actually for hire, where principal business of carrier is to transport goods belonging to it on its own account and where services are rendered only incidentally for hire. (Sec. 501-c.)
- (5) Shall not apply to transportation of commodities necessary for use of carrier in conducting its business nor to company material transported by one carrier constituting part of a railroad system for another carrier, a part of the same system. (Sec. 501-c.)
- (6) Shall be collected by person receiving payments who shall make monthly returns in duplicate and pay the tax so collected to the collector of district where principal office is located. (Sec. 502.)
- (7) If refund of any payment is made the tax returned with such payment may be credited against taxes reported in any subsequent monthly returns. Tax is due at time for filing returns. (Sec. 502.)
- (8) Shall not apply to any payment received for services rendered U. S. or any State or Territory, or District of Columbia. (Sec. 500-h.)

LEASED WIRE OR TALKING CIRCUIT

T A X

For special services furnished by telegraph or telephone company by leased wire or talking circuit—on amount paid therefor (*Sec. 500-g.*)

10%

NOTE: Not applicable where the service is utilized (1) in the collection and dissemination of news through the public press, or (2) by a common carrier, telegraph or telephone company in the conduct of its business as such.

PASSENGER FARES

From point in U. S. to another or to any point in Canada or Mexico, exclusive of commutation tickets or season tickets less than 30 miles, or transportation costing not to exceed 42c. (*Sec. 500-c.*)

8%

NOTE: Tickets, not partially used, or mileage books purchased prior to November 1, 1917, and fares paid by cash on train, are subject to tax which shall be collected by conductor or agent to whom presented. (*Sec. 501-b.*)

Where water transportation lines compete between American ports with foreign lines from adjacent foreign ports tax shall not exceed transportation tax to which such foreign transportation company is subjected by its own government. (*Sec. 500-c.*)

PIPE LINE

For the transportation of oil by pipe line—on amount paid therefor (*Sec. 500-e.*)

8%

NOTE: Tax imposed hereunder:

- (1) Shall apply to all oil transported by pipe line.
- (2) Shall be paid by pipe line transporting its own property for which no charge is made because of ownership or other reason, the tax being computed, if not by actual bona fide tariffs, (1) by tariffs of other pipe lines for similar service, or (2) if no such tariffs exist, on the basis of a reasonable charge. (*Sec. 501-d.*)

SEATS, Berths or Stateroom Tickets, in Sleeping or Parlor Cars or on Vessels—on amount paid therefor (*Sec. 500-d.*)

8%

TELEGRAPH, TELEPHONE, CABLE OR RADIO dispatches originating within U. S.—each message or dispatch of:

More than 14c. and not more than 50c.

\$.05

More than 50c.

.10

(Only one payment required on each message.)
(*Sec. 500-f.*)

Insurance*

T A X

LIFE INSURANCE (except policies for reinsurance, and industrial or weekly or monthly payment plan policies, insuring life for not in excess of \$500, upon which the tax shall be 40% of the first weekly premium, or 20% of the first monthly premium, as the case may be)—per \$100 or fraction thereof of policy. (Sec. 503-a.) \$.08

LIFE, HEALTH AND ACCIDENT combined, insuring a life for not in excess of \$500, issued on the industrial, weekly, or monthly payment plan (Sec. 503-a), of the amount of the first premium:

Under monthly plan 20%

Under weekly plan 40%

GROUP LIFE INSURANCE, covering not less than 25 lives in the employ of the same person for the benefit of persons other than the employer—per \$100 of the aggregate amount for which issued and of any net increase. (Sec. 503-a.) .04

MARINE, INLAND AND FIRE INSURANCE—per \$1.00 or fraction thereof of premium (Sec. 503-b.) .01

*NOTE: Tax, which is due at time for filing return, is to be paid by the insurer or by the broker on the issuance of policies, which includes, in case of those issued outside the U. S. their delivery within the U. S. (Sec. 503.) All policies of insurance issued by any corporation exempt from Federal Income Tax or policies for reinsurance, shall be exempt from tax. (Sec. 503-d.) Persons issuing taxable policies shall make monthly returns, in duplicate, and pay the tax due at the time fixed for filing the return to the collector of the district in which the principal office is located, in accordance with regulations of the Commissioner. (Sec. 504.)

Renewals of casualty, marine, inland and fire policies taxable. (Secs. 503-b and c.)

Policies of insurance taxed under subdivision 15 of Schedule "A" of Title XI are not subject to tax under this Title. (Sec. 508.)

****CASUALTY INSURANCE** (except life, marine, inland and fire policies, or bonds and policies taxable under subdivision 2 of schedule "A" of Title XI, see page 193; and except industrial or weekly or monthly payment plan policies upon which the tax shall be 40% of the first weekly or 20% of the first monthly premium)—per \$1.00 or fraction thereof of premium. (Sec. 503-c) **\$.01**

****NOTE:** The term "casualty insurance" covers employers' liability, workmen's compensation, accident, health, tornado, plate glass, steam boiler, elevator, burglary, automatic sprinkler, automobile or other branches of insurance, except those excluded above. (Sec. 503-c.)

Text of Law—Title V.

SEC. 500. That from and after April 1, 1919, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by Section 500 of the Revenue Act of 1917—

Freight

(a) A tax equivalent to 3 per centum of the amount paid for the transportation on or after such date, by rail or water or by any form of mechanical motor power when in competition with carriers by rail or water, of property by freight transported from one point in the United States to another; and a like tax on the amount paid for such transportation within the United States of property transported from a point without the United States to a point within the United States;

Express

(b) A tax of 1 cent for each 20 cents or fraction thereof of the amount paid to any person for the transportation on or after such date, by rail or water or by any form of mechanical motor power when in competition with express by rail or water, of any package, parcel, or shipment, by express, transported from one point in the United States to another; and a like tax on the amount paid for such transportation within the United States of property transported from a point without the United States to a point within the United States;

Passenger Transportation

(c) A tax equivalent to 8 per centum of the amount paid for the transportation on or after such date of persons by rail or water, or by any form of mechanical motor power on a regular established line when in competition with carriers by rail or water, from one point in the United States to another or to any point in Canada or Mexico, where the ticket or order therefor is sold or issued in the United States, not including the amount paid for commutation or season tickets for trips less than thirty miles, or for transportation the fare for which does not exceed 42 cents; *Provided*, That where such water transportation lines are in competition between American ports with foreign water transportation

lines from adjacent foreign ports, the tax imposed under this subdivision on amounts paid for water transportation between American ports shall not exceed the amount of the transportation tax to which such foreign water transportation lines are subjected by their Government corresponding to this tax;

(d) A tax equivalent to 8 per centum of the amount paid for seats, berths, and staterooms in parlor cars, sleeping cars, or on vessels, used on or after such date in connection with transportation upon which tax is imposed by subdivision (c);

*Seats,
Berths, and
Staterooms*

(e) A tax equivalent to 8 per centum of the amount paid for the transportation on or after such date of oil by pipe line;

Pipe Lines

(f) In the case of each telegraph, telephone, cable, or radio, dispatch, message, or conversation, which originates on or after such date within the United States, and for the transmission of which the charge is more than 14 cents and not more than 50 cents, a tax of 5 cents; and if the charge is more than 50 cents, a tax of 10 cents: *Provided*, That only one payment of such tax shall be required, notwithstanding the lines or stations of one or more persons are used for the transmission of such dispatch, message, or conversation; and

*Telephone,
Telegraph,
and Cable*

(g) A tax equivalent to 10 per centum of the amount paid after such date to any telegraph or telephone company for any leased wire or talking circuit special service furnished after such date. This subdivision shall not apply to the amount paid for so much of such service as is utilized (1) in the collection and dissemination of news through the public press, or (2) in the conduct, by a common carrier or telegraph or telephone company, of its business as such.

*Leased
Wires*

(h) No tax shall be imposed under this section upon any payment received for services rendered to the United States or to any State or Territory or the District of Columbia. The right to exemption under this subdivision shall be evidenced in such manner as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

*Service to
U. S. or any
State, or
Territory
Exempt*

SEC. 501.(a) That the taxes imposed by section 500 shall be paid by the person paying for the services or facilities rendered.

Payment

(b) If a mileage book used for transportation or accommodation was purchased before November 1, 1917, or if cash fare is paid, the tax imposed by section 500 shall be collected from the person presenting the mileage book, or paying the cash fare, by the conductor or other agent, when presented for such transportation or accommodation, and the amount so collected shall be paid to the United States in such manner and at such times as the Commissioner, with the approval of the Secretary, may prescribe; if a ticket (other than a mileage book) was bought and partially used before November 1, 1917, it shall not be taxed, but if bought but not so used before section 500 takes effect, it shall

*Mileage
Book*

Cash Fare

*Ticket
Partially
Used*

not be valid for passage until the tax has been paid and such payment evidenced on the ticket in such manner as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

*Transportation of
Own Goods*

(c) The taxes imposed by section 500 shall apply to all services or facilities specified in such section when rendered for hire, whether or not the agency rendering them is a common carrier. In case a carrier (other than a pipe line) principally engaged in rendering transportation services or facilities for hire does not, because of its ownership of the goods transported, or for any other reason, receive the amount which as a carrier it would otherwise charge, such carrier shall pay a tax equivalent to the tax which would be imposed upon the transportation of such goods if the carrier received payment for such transportation, such tax, if it can not be computed from actual rates or tariffs of the carrier, to be computed on the basis of the rates or tariffs of other carriers for like services as determined by the Commissioner. In the case of any carrier (other than a pipe line) the principal business of which is to transport goods belonging to it on its own account and which only incidentally renders services for hire, the tax shall apply to such services or facilities only as are actually rendered by it for hire. Nothing in this or the preceding section shall be construed as imposing a tax (1) upon the transportation of any commodity which is necessary for the use of the carrier in the conduct of its business as such and is intended to be so used or has been so used; or (2) upon the transportation of company material transported by one carrier, which constitutes a part of a railroad system, for another carrier which is also a part of the same system.

*Occasional
Service for
Hire*

*Transportation not
Taxable*

*Transportation by
Pipe Line*

(d) The tax imposed by subdivision (e) of section 500 shall apply to all transportation of oil by pipe line. In case no charge for transportation is made, by reason of ownership of the commodity transported, or for any other reason, the person transporting by pipe line shall pay a tax equivalent to the tax which would be imposed if such person received payment for such transportation, and if the tax can not be computed from actual bona fide rates or tariffs, it shall be computed (1) on the basis of the rates or tariffs of other pipe lines for like services, as determined by the Commissioner, or (2) if no such rates or tariffs exist, on the basis of a reasonable charge for such transportation, as determined by the Commissioner.

*Returns
and
Payment*

SEC. 502. That each person receiving any payments referred to in section 500 shall collect the amount of the tax, if any, imposed by such section from the person making such payments, and shall make monthly returns under oath, in duplicate, and pay the taxes so collected and the taxes imposed upon it under subdivision (c) or (d) of section 501 to the collector of the district in which the principal office or place of business is located.

No carrier collecting the taxes imposed by subdivision (a) or (b) of section 500 shall be required to list the amount of such tax separately in any bill of lading, freight or express receipt, or other similar document, if the total amount of the transportation charge and the tax is stated therein.

*Separate
Listing
of Tax*

Any person making a refund of any payment upon which tax is collected under this section may repay therewith the amount of the tax collected on such payment; and the amount so repaid may be credited against amounts included in any subsequent monthly return.

*Refund
and
Credit*

The returns required under this section shall contain such information, and be made at such times and in such manner, as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

*Contents of
Return*

The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax a penalty of 5 per centum, together with interest at the rate of 1 per centum for each full month, from the time when the tax became due.

*Time of
Payment*

Penalty

INSURANCE

Sec. 503. That from and after April 1, 1919, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 504 of the Revenue Act of 1917, the following taxes on the issuance of insurance policies, including, in the case of policies issued outside the United States (except those taxable under subdivision 15 of schedule A of Title XI), their delivery within the United States by any agent or broker, whether acting for the insurer or the insured; such taxes to be paid by the insurer, or by such agent or broker:

*Life
Insurance*

(a) Life insurance: A tax equivalent to 8 cents on each \$100 or fractional part thereof of the amount for which any life is insured under any policy of insurance, or other instrument, by whatever name the same is called: *Provided*, That on all policies for life insurance only by which a life is insured not in excess of \$500, issued on the industrial or weekly or monthly payment plan of insurance, the tax shall be 40 per centum of the amount of the first weekly premium or 20 per centum of the amount of the first monthly premium, as the case may be: *Provided further*, That on policies of group life insurance, covering groups of not less than 25 lives in the employ of the same person, for the benefit of persons other than the employer, the tax shall be equivalent to 4 cents on each \$100 of the aggregate amount for which the group policy is issued and of any net increase in the amount of the insurance under such policy: and *Provided further*, That on all policies covering life, health, and accident insurance combined in one policy by which a life is insured not in excess

*Group Life
Insurance*

of \$500, issued on the industrial, or weekly or monthly payment plan of insurance, the tax shall be 40 per centum of the amount of the first weekly premium or 20 per centum of the amount of the first monthly premium, as the case may be;

*Marine,
Inland and
Fire Insur-
ance*

(b) Marine, inland, and fire insurance: A tax equivalent to 1 cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or other instrument by whatever name the same is called whereby insurance is made or renewed upon property of any description (including rents or profits), whether against peril by sea or inland waters, or by fire or lightning, or other peril;

*Casualty
Insurance*

(c) Casualty insurance: A tax equivalent to 1 cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or obligation of the nature of indemnity for loss, damage, or liability (except bonds and policies taxable under subdivision 2 of schedule A of Title XI) issued or executed or renewed by any person transacting the business of employer's liability, workmen's compensation, accident, health, tornado, plate glass, steam boiler, elevator, burglary, automatic sprinkler, automobile, or other branch of insurance (except life insurance, and insurance described and taxed in the preceding subdivision): *Provided*, That in case of policies of insurance issued on the industrial or weekly or monthly payment plan the tax shall be 40 per centum of the amount of the first weekly premium or 20 per centum of the amount of the first monthly premium, as the case may be;

*Policies
Exempt*

(d) Policies issued by any corporation enumerated in section 231, and policies of reinsurance, shall be exempt from the taxes imposed by this section.

Returns

SEC. 504. That every person issuing policies of insurance upon the issuance of which a tax is imposed by section 503 shall make monthly returns under oath, in duplicate, and pay such tax to the collector of the district in which the principal office or place of business of such person is located. Such returns shall contain such information and be made at such times and in such manner as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

*Payment of
Tax*

The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax a penalty of 5 per centum, together with interest at the rate of 1 per centum for each full month, from the time when the tax became due.

VI.—Beverages*

In Lieu of Tax Imposed by Act of October 3, 1917

(Effective Day after Passage of Act unless otherwise provided)

Summary

	<u>T A X</u>
ALCOHOL, ETHYL (<i>See</i> Distilled Spirits).	
ALE (<i>See</i> Fermented Liquors) per bbl.	\$6.00
ARTIFICIAL MINERAL WATERS (<i>See</i> Unfermented Grape Juice).	
ARTIFICIAL WINES (<i>See</i> Wines).	
BEER (<i>See</i> Fermented Liquors), per bbl.	6.00
CHAMPAGNES (<i>See</i> Wines).	
CORDIALS AND LIQUEURS, or similar compounds, containing sweet wine fortified with grape brandy in bond, produced or imported (<i>Sec.</i> 613) per $\frac{1}{2}$ pt.	.06
<p>*NOTE: Manufacturers, producers, bottlers or importers of soft drinks are required to make monthly returns to the collector for the district in which are located their principal places of business. Tax shall be due at time fixed for filing return. (<i>Sec.</i> 629.)</p> <p>Commissioner is authorized to discontinue use of the following stamps: Distillery warehouse, special bonded warehouse, special bonded rewarehouse, general bonded warehouse, general bonded retransfer, transfer brandy, and export fermented-liquor stamps. (<i>Sec.</i> 606.)</p> <p>The installation of meters, tanks, pipes, or other apparatus by distilleries, etc., may be required by the Commissioner for the purpose of protecting the revenue. Installation shall be at the expense of the distillery, and the business shall be discontinued in case of refusal or neglect to make such installation. (<i>Sec.</i> 607.)</p>	
CORDIALS AND LIQUEURS held for sale on the day after passage of the Act upon which internal-revenue tax has been paid (<i>Sec.</i> 614) per each $\frac{1}{2}$ pt.	.03
DISTILLED SPIRITS—In bond, produced, or imported per proof gal., or per wine gal. when below proof (fractional parts proportionately); (<i>Sec.</i> 600):	
For other than beverage purposes	2.20
For beverage purposes	6.40

Spirits held for sale by any person, on day after passage of the Act upon which internal-revenue tax has been paid, per proof gal. (fractional parts proportionately), (Sec. 604):

For beverage purposes

\$3.20

Spirits for beverage purposes produced after October 3, 1917 shall not be imported into the U. S. from any foreign country, Virgin Islands (unless produced from products growing therein and not then into State or Territory prohibiting manufacture or sale of intoxicating liquor), Porto Rico or the Philippines. (Sec. 601.)

Packages may be filled or spirits transferred after payment of tax, without being entered in bonded warehouse, under regulations prescribed by the Commissioner. (Sec. 602.)

Tax shall not be due on distilled spirits while in bond and which cannot be removed. (Sec. 600-b.)

ETHYL ALCOHOL (See Distilled Spirits).

The manufacture, warehousing, withdrawal and shipment of ethyl alcohol for other than beverage purposes or use in the manufacture or production of articles intended for use as a beverage, and denatured alcohol, may be exempted from the provisions of Section 3283 of the R. S. under prescribed regulations. (Sec. 602.)

Distillers of ethyl alcohol for use in the production of munitions of war and for other non-beverage purposes may be exempted from the provisions of R. S., Secs. 3264, 3285, and 3309, and amendments thereto, respecting the survey of distilleries, the period of fermentation, filling and emptying of fermenting tubs, and assessments, as may seem expedient in the judgment of, and under regulations issued by, the Commissioner. (Sec. 602.)

Ethyl alcohol, of not less than 180 degrees proof, may be removed from any central distilling and denaturing plant or denaturing bonded warehouse, free of tax, for the use of the U. S. or for shipment to any nation while engaged against the German Government in the present war, in manner approved by the Commissioner. (Sec. 603.)

FERMENTED LIQUORS

Beer, lager beer, ale, porter, and similar fermented liquors containing $\frac{1}{2}\%$ or more alcohol, (Sec. 608), per bbl. containing not in excess of 31 gallons and at a like rate for any other quantity or fractional parts;

6.00

Taxable fermented liquors may be removed without payment of tax from brewery to contiguous industrial distillery to be used as distilling material, and residue containing less than $\frac{1}{4}\%$ alcohol, which is to be used in making beverages, may be manipulated on distillery premises or elsewhere. Removal is subject to regulations of the Commissioner. (Sec. 609.)

GINGER ALE (See Unfermented Grape Juice).

GRAPE BRANDY OR WINE SPIRITS**T A X**

Withdrawn for the fortification of sweet wine
(Sec. 612), per proof gal. (fractional parts pro-
portionately) \$.60

The tax is levied in lieu of existing internal revenue taxes,
on the grape brandy or wine spirits so used during the preceding
month and paid within ten months after notice of assessment.
(Sec. 612.)

Used in the fortification of sweet wines held for
sale on the day after passage of the Act (Sec. 615),
per proof gal. (fractional parts proportionately) .30

GRAPE JUICE (See Unfermented Grape Juice.)**ICE-CREAM (See Soft Drinks.)**

LAGER BEER (See Fermented Liquors), per bbl. 6.00

LIQUEURS (See Cordials).

PERFUMES, containing distilled spirits hereafter
imported into U. S. (Sec. 600) per wine gal.
(fractional parts proportionately) 1.10

Tax to be collected by collector of customs and deposited as
internal revenue collections.

POP (See Unfermented Grape Juice).

PORTER (See Fermented Liquors) per bbl. 6.00

RECTIFIED SPIRITS AND WINES

Rectified, purified or refined by rectifiers, an ad-
ditional tax (Sec. 605) per proof gallon (fractional
parts proportionately) .30

Held for sale by any person on the day after pas-
sage of the Act (Sec. 605), per proof gal. (frac-
tional parts proportionately) .15

Tax does not apply to gin produced by the re-distillation of
a pure spirit over juniper berries and other aromatics; nor to
cordials and liqueurs taxed under Secs. 611 or 613, nor to cer-
tain blends of wines and whiskies. (Sec. 605.)

Distilled spirits held for sale by any person on the day after
passage of the Act, and not contained in distillers' original
stamped packages or other containers bearing distillers' orig-
inal labels are subject to tax. (Sec. 605.)

Violation of Sec. 605 is punishable by imprisonment for not
more than two years or by fine of not more than \$1,000 and in
addition, assessment of double the tax evaded. (Sec. 605.)

Exchange of wholesale liquor dealers' stamps for stamps for
rectified spirits is discontinued unless package is to be broken
into smaller packages. (Sec. 606.)

ROOT BEER (*See Unfermented Grape Juice*).

SARSAPARILLA (*See Unfermented Grape Juice*).

SODA WATER (*See Soft Drinks*).

SOFT DRINKS, including ice-cream, ice-cream soda, sundaes, or other similar articles of food or drink, when compounded and sold at or near soda fountains, ice-cream parlors or other similar places of business (*Sec. 630*). (Effective May 1, 1919)

On each 10c. or fraction of amount paid \$.01

Fermented liquors, derived from cereals or substitutes, containing less than $\frac{1}{2}\%$ alcohol sold by the manufacturer, producer or importer in bottles or other closed containers (*Sec. 628-a*); of the selling price

15%

Tax shall be paid by the purchaser to the vendor, who shall collect, make monthly return of, and pay the same to the U. S. in accordance with the provisions of Section 502. (*Sec. 630*.)

SWEET WINES (*See Grape Brandy*).

SUNDAES (*See Soft Drinks*).

UNFERMENTED GRAPE JUICE, soft drinks, ginger ale, root beer, sarsaparilla, pop, artificial mineral waters (carbonated or not carbonated), other carbonated waters and other soft drinks, sold by the manufacturer, producer or importer in bottles or closed containers (*Sec. 628-a*); of the selling price

10%

VERMUTH (*See Wines*).

WATERS—natural mineral or table, sold in bottles or other closed containers at over 10c. per gal. (*Sec. 628-b*), per gal.

.02

WINES

*Still wines, including vermouth, artificial or imitation wines or compounds sold as still wine, in

*Wines over 24% alcohol classed as distilled spirits and taxed accordingly. (*Sec. 611*),

TAX

bond, produced, or imported (*Sec. 611*), per wine gallon (fractional parts proportionately):

Containing not over 14% alcohol	\$.16
Containing over 14% and not over 21% alcohol	.40
Containing over 21% and not over 24% alcohol	1.00

Still wines held for sale on the day after passage of the Act, upon which internal-revenue tax has been paid (*Sec. 614*), per wine gal. (fractional parts proportionately):

Containing not over 14% alcohol	.08
Containing over 14% and not over 21%	.20
Containing over 21% and not more than 24% alcohol	.50

Champagne and sparkling wines, in bond, produced or imported (*Sec. 613*), per $\frac{1}{2}$ pt. or fraction .12

Champagne and sparkling wines held for sale on the day after passage of the Act, upon which internal-revenue tax has been paid (*Sec. 614*), per $\frac{1}{2}$ pt. or fraction .06

Artificially carbonated wines in bond, produced or imported (*Sec. 613*), $\frac{1}{2}$ pt. or fraction .06

Artificially carbonated wines held for sale on the day after passage of the Act, upon which internal-revenue tax has been paid (*Sec. 614*), per $\frac{1}{2}$ pt. or fraction .08

Text of Law—Title VI.

SEC. 600.(a) That there shall be levied and collected on all distilled spirits now in bond or that have been or that may be hereafter produced in or imported into the United States, except such distilled spirits as are subject to the tax provided in section 604, in lieu of the internal-revenue taxes now imposed thereon by law, a tax of \$2.20 (or, if withdrawn for beverage purposes or for use in the manufacture or production of any article used or intended for use as a beverage, a tax of \$6.40) on each proof gallon, or wine gallon when below proof, and a proportionate tax at a like rate on all fractional

*Distilled
Spirits*

parts of such proof or wine gallon, to be paid by the distiller or importer when withdrawn, and collected under the provisions of existing law.

*Spirits
in Bond*

(b) That the tax imposed by subdivision (a) on distilled spirits intended for beverage purposes shall not be due or payable on such spirits while stored in any distillery, bonded warehouse, or special or general bonded warehouse, and which, pursuant to any Act of Congress or proclamation of the President of the United States, can not be lawfully sold or removed from any such warehouse during the period of prohibition fixed by such Act or proclamation; and all warehousing bonds or transportation and warehousing bonds conditioned for the payment of tax on any such spirits so stored on the date such prohibition takes effect shall as to all such spirits actually so stored be canceled and discharged, provided the distiller of such spirits shall in lieu of such bonds and prior to their cancellation execute a bond in a penal sum of not less than \$10,000, with sureties satisfactory to the collector of the district, conditioned that the principal shall, during the period of such prohibition, safely keep or cause to be kept in good condition all such spirits and the warehouse in which the same are stored, and shall not remove or suffer to be removed from warehouse, contrary to law, any such spirits during the period of such prohibition; and the bond herein prescribed shall be in such further sum and shall contain such further conditions as the Commissioner, with the approval of the Secretary, may by regulations require. The distiller may, subject to the provisions of this section, be permitted to retain in any such bonded warehouse distilled spirits on which, under the terms of any existing bond, the tax imposed thereon becomes due and payable prior to the date such prohibition takes effect: *Provided*, That on the removal of such prohibition the distiller shall, as to all spirits as to which the bonded period fixed by law has not expired and which remain stored in warehouse, execute new and satisfactory bond in the form required by existing law, conditioned for the payment of the tax on all such spirits; and all provisions of existing law relating to such bonded warehouses, or the storage of spirits therein, or to the execution of new or additional bonds, so far as applicable, shall continue in force as to all distilled spirits rebonded under the provisions of this section.

*Cancellation
of Bonds*

*Allowance
for Loss*

Upon the withdrawal of distilled spirits from bonded warehouse, after the period of prohibition has ended, and under the conditions imposed by section 50 of an Act entitled "An Act to reduce taxation, to provide revenue for the support of the Government, and for other purposes," approved August 28, 1894, an allowance for loss by leakage or other unavoidable cause, not exceeding one proof gallon as to packages of a capacity of not less than 40 wine gallons, may be made in addition to that provided in said section 50, as amended; and

a like additional allowance of one proof gallon as to each package withdrawn may be made for each period of four months, or fraction thereof, for such spirits as shall have remained in warehouse during the period of prohibition and after the expiration of the maximum leakage period fixed by that section.

Under regulations prescribed by the Secretary, any imported distilled spirits, wines or other liquors which may be in any customs bonded warehouse under the customs laws on the date such prohibition takes effect shall be permitted to remain therein without payment of any taxes or duties thereon, beyond the three-year period provided in section 2971 of the Revised Statutes, during such period of prohibition; and may be exported at any time during such extended period. Any imported spirits, wines or other liquors as to which the three-year bonded period may expire after the passage of this Act and prior to the date such prohibition takes effect may at the option of the owner remain in bond during such period of prohibition.

*Imported
Spirits*

(c) In lieu of the internal-revenue tax now imposed thereon by law there shall be levied and collected upon all perfumes hereafter imported into the United States containing distilled spirits, a tax of \$1.10 per wine gallon, and a proportionate tax at a like rate on all fractional parts of such wine gallon. Such tax shall be collected by the collector of customs and deposited as internal-revenue collections, under such rules and regulations as the Commissioner, with the approval of the Secretary, may prescribe.

Perfumes

SEC. 601. That no distilled spirits produced after October 3, 1917, shall be imported into the United States from any foreign country, or from the Virgin Islands (unless produced from products the growth of such islands, and not then into any State or Territory or District of the United States in which the manufacture or sale of intoxicating liquor is prohibited), or from Porto Rico, or the Philippine Islands. Under such rules, regulations, and bonds as the Secretary may prescribe, the provisions of this section shall not apply to distilled spirits imported for other than (1) beverage purposes or (2) use in the manufacture or production of any article used or intended for use as a beverage.

*Importation
from Virgin
Islands,
Porto Rico
and
Philippines*

SEC. 602. That at registered distilleries producing alcohol, or other high-proof spirits, packages may be filled with such spirits reduced to not less than one hundred proof from the receiving cisterns and tax paid without being entered into bonded warehouse. Such spirits may be also transferred from the receiving cisterns at such distilleries, by means of pipe lines, direct to storage tanks in the bonded warehouse and may be warehoused in such storage tanks. Such spirits may be also transferred in tanks or tank cars to general bonded warehouses for storage therein, either in storage tanks in such warehouses or in the tanks in which they were transferred.

*Transfer of
Spirits*

Such spirits may also be transferred from receiving cisterns or warehouse storage tanks to barrels, drums, tanks, (tank cars, or other approved containers, and may be transported in such containers for exportation or other lawful purposes. The Commissioner, with the approval of the Secretary, is hereby empowered to prescribe all necessary regulations relating to the drawing off, transferring, gauging, storing, and transporting of such spirits; the records to be kept and returns to be made; the size and kind of packages and tanks to be used; the marking, branding, numbering, and stamping of such packages and tanks; the kinds of stamps, if any, to be used; and the time and manner of paying the tax; the kind of bond and the penal sum of same. The tax prescribed by law must be paid before such spirits are removed from the distillery premises, or from general bonded warehouse in the case of spirits transferred thereto, except as otherwise provided by law.

Under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, distilled spirits may hereafter be drawn from receiving cisterns and deposited in distillery warehouses without having affixed to the packages containing the same, distillery warehouse stamps, and such packages, when so deposited in warehouse, may be withdrawn therefrom on the original gauge where the same have remained in such warehouse for a period not exceeding thirty days from the date of deposit.

Ethyl Alcohol

Under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, the manufacture, warehousing, withdrawal, and shipment, under the provisions of existing law, of ethyl alcohol for other than (1) beverage purposes or (2) use in the manufacture or production of any article used or intended for use as a beverage, and denatured alcohol, may be exempted from the provisions of section 3283 of the Revised Statutes.

The Commissioner, with the approval of the Secretary, may by regulations exempt distillers of ethyl alcohol, for use in the production of munitions of war, or for other non-beverage purposes, from so much of the provisions of sections 3264, 3285, or 3309 of the Revised Statutes, and Acts amendatory thereof, respecting the survey of distilleries, the period of fermentation, the filling and emptying of fermenting tubs, and assessments, as, in his judgment, may be expedient: *Provided*, That the bond prescribed in section 3260 of the Revised Statutes shall, in the cases herein provided, be in such sum and contain such further conditions as the Commissioner may require.

Removal of Ethyl Alcohol Free of Tax

Sec. 603. That under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, ethyl alcohol of not less than 180 degrees proof, produced at any central distilling and denaturing plant established under the provisions of subsection 2, paragraph N, of section IV of the Act entitled "An act to reduce tariff duties and

to provide revenue for the Government, and for other purposes," approved October 3, 1913, may be removed from such plant to any central denaturing bonded warehouse for denaturation, or may, before or after denaturation, be removed from such plant or from such denaturing bonded warehouse, free of tax, for use of the United States or for shipment to any nation while engaged against the German Government in the present war, and the removal herein authorized may be made in such tank vessels, tank cars, drums, casks, or other containers as may be approved by the Commissioner. It shall be lawful, under regulations prescribed by the Commissioner, with the approval of the Secretary, for an allowance to be made for leakage or loss by unavoidable accident and without fault or negligence of the distiller, owner, carrier, or his agents or employees, which may occur during the transportation of such spirits or while the same are lawfully stored on either the premises herein described.

SEC. 604. That upon all distilled spirits produced in or imported into the United States upon which the internal-revenue tax now imposed by law has been paid, and which, on the day after the passage of this Act, are held by any person and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be levied, assessed, collected, and paid a floor tax of \$3.20 if intended for sale for beverage purposes or for use in the manufacture or production of any article used or intended for use as a beverage on each proof gallon, and a proportionate tax at a like rate on all fractional parts of such proof gallon. *Floor Tax on Distilled Spirits*

SEC. 605. That in addition to the tax imposed by this Act on distilled spirits and wines, there shall be levied, assessed, collected, and paid, in lieu of the tax imposed by section 304 of the Revenue Act of 1917, a tax of 30 cents on each proof gallon and a proportionate tax at a like rate on all fractional parts of such proof gallon on all distilled spirits or wines hereafter rectified, purified, or refined in such manner, and on all mixtures hereafter produced in such manner, that the person so rectifying, purifying, refining, or mixing the same is a rectifier within the meaning of section 3244 of the Revised Statutes, as amended: *Rectified Spirits* *Provided,* That this tax shall not apply to gin produced by the redistillation of a pure spirit over juniper berries and other aromatics.

Upon all such articles heretofore produced, and which on the day after the passage of this Act are held by any person and intended for sale, there shall be levied, assessed, collected, and paid a floor tax of 15 cents on each proof gallon, and a proportionate tax at a like rate on all fractional parts of each proof gallon; and all such distilled spirits so held and not contained in the distillers' original stamped packages, or in bottles or other containers bearing the distillers' original *Floor Tax*

labels, shall for the purpose of this section be regarded as rectified spirits.

When the process of rectification is completed and the taxes prescribed by this section have been paid, it shall be unlawful for the rectifier or other dealer to reduce in proof or increase in volume such spirits or wine by the addition of water or other substance; nothing herein contained shall, however, prevent a rectifier from using again in the process of rectification spirits already rectified and upon which the taxes have theretofore been paid.

*Tax Not
Applicable*

The taxes imposed by this section shall not attach to cordials or liqueurs on which a tax is imposed and paid under section 611 or 613, nor to the mixing and blending of wines, where such blending is for the sole purpose of perfecting such wines according to commercial standards, nor to blends made exclusively of two or more pure straight whiskies aged in wood for a period not less than four years and without the addition of coloring or flavoring matter or any other substance than pure water and if not reduced below ninety proof: *Provided*, That such blended whiskies shall be exempt from tax under this section only when compounded under the immediate supervision of a revenue officer, in such tanks and under such conditions and supervision as the Commissioner, with the approval of the Secretary, may prescribe.

All distilled spirits or wines taxable under this section shall be subject to uniform regulations concerning the use thereof in the manufacture, blending, compounding, mixing, marking, branding, and sale of whisky and rectified spirits, and no discrimination whatsoever shall be made by reason of a difference in the character of the material from which same may have been produced.

*Payment
of Tax*

The business of a rectifier of spirits shall be carried on, and the tax on rectified spirits shall be paid, under such rules, regulations, and bonds as may be prescribed by the Commissioner, with the approval of the Secretary.

Penalty

Whoever violates any of the provisions of this section shall be deemed to be guilty of a misdemeanor and, upon conviction, shall be fined not more than \$1,000 or imprisoned not more than two years, and shall, in addition, be liable to double the tax evaded, together with the tax, to be collected by assessment or on any bond given.

*Exchange
of Stamps*

SEC. 606. That hereafter collectors shall not furnish wholesale liquor dealer's stamps in lieu of and in exchange for stamps for rectified spirits unless the package covered by stamp for rectified spirits is to be broken into smaller packages.

The Commissioner, with the approval of the Secretary, is authorized to discontinue the use of the following stamps whenever in his judgment the interests of the Government will be subserved thereby:

Distillery warehouse, special bonded warehouse, special bonded rewarehouse, general bonded warehouse, general bonded retransfer, transfer brandy, export tobacco, export cigars, export oleomargarine, and export fermented-liquor stamps.

*Discontinu-
ance of
Certain
Stamps*

SEC. 607. That the Commissioner, with the approval of the Secretary, is hereby authorized to require at distilleries, breweries, rectifying houses, and wherever else in his judgment such action may be deemed advisable, the installation of meters, tanks, pipes, or any other apparatus for the purpose of protecting the revenue, and such meters, tanks, and pipes and all necessary labor incident thereto shall be at the expense of the person on whose premises the installation is required. Any such person refusing or neglecting to install such apparatus when so required by the Commissioner shall not be permitted to conduct business on such premises.

*Installation
of Appar-
atus*

SEC. 608. That there shall be levied and collected on all beer, lager beer, ale, porter, and other similar fermented liquor, containing one-half of one per centum, or more, of alcohol, brewed or manufactured and hereafter sold, or removed for consumption or sale, within the United States, by whatever name such liquors may be called, in lieu of the internal-revenue taxes now imposed thereon by law, a tax of \$6.00 for every barrel containing not more than thirty-one gallons, and at a like rate for any other quantity or for the fractional parts of a barrel authorized and defined by law, to be collected under the provisions of existing law.

*Fermented
Liquors*

SEC. 609. That from and after the passage of this Act taxable fermented liquors may be conveyed without payment of tax from the brewery premises where produced to a contiguous industrial distillery of either class established under the Act entitled "An Act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October 3, 1913, to be used as distilling material, and the residue from such distillation, containing less than one-half of 1 per centum of alcohol by volume, which is to be used in making beverages, may be manipulated by cooling, flavoring, carbonating, settling, and filtering on the distillery premises or elsewhere.

*Removal
Free of Tax*

The removal of the taxable fermented liquor from the brewery to the distillery and the operation of the distillery and the removal of the residue therefrom shall be under the supervision of such officer or officers as the Commissioner shall deem proper, and the Commissioner, with the approval of the Secretary, is hereby authorized to make such regulations from time to time as may be necessary to give force and effect to this section and to safeguard the revenue.

SEC. 610. That natural wine within the meaning of this Act shall be deemed to be the product made from the normal alcoholic fermentation of the juice of sound, ripe grapes, without addition or abstraction, except such as may occur in the

*Natural
Wine*

usual cellar treatment of clarifying and aging: *Provided, however,* That the product made from the juice of sound, ripe grapes by complete fermentation of the must under proper cellar treatment and corrected by the addition (under the supervision of a gauger or storekeeper-gauger in the capacity of gauger) of a solution of water and pure cane, beet, or dextrose sugar (containing, respectively, not less than 95 per centum of actual sugar, calculated on a dry basis) to the must or to the wine, to correct natural deficiencies, when such addition shall not increase the volume of the resultant product more than 35 per centum, and the resultant product does not contain less than five parts per thousand of acid before fermentation and not more than 13 per centum of alcohol after complete fermentation, shall be deemed to be wine within the meaning of this Act, and may be labeled, transported, and sold as "wine," qualified by the name of the locality where produced, and may be further qualified by the name of its own particular type or variety: *And provided further,* That wine as defined in this section may be sweetened with cane sugar or beet sugar or pure condensed grape must and fortified under the provisions of this Act, and wines so sweetened or fortified shall be considered sweet wine within the meaning of this Act.

*Still Wines,
and Arti-
ficial and
Imitation
Wines*

SEC. 611. That upon all still wines, including vermouth, and all artificial or imitation wines or compounds sold as still wine, which are hereafter produced in or imported into the United States, or which on the day after the passage of this Act are on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid, in lieu of the internal-revenue taxes now imposed thereon by law, taxes at rates as follows, when sold, or removed for consumption or sale:

On wines containing not more than 14 per centum of absolute alcohol, 16 cents per wine gallon, the per centum of alcohol taxable under this section to be reckoned by volume and not by weight;

On wines containing more than 14 per centum and not exceeding 21 per centum of absolute alcohol, 40 cents per wine gallon;

On wines containing more than 21 per centum and not exceeding 24 per centum of absolute alcohol, \$1 per wine gallon;

All such wines containing more than 24 per centum of absolute alcohol by volume shall be classed as distilled spirits and shall pay tax accordingly.

*Grape
Brandy
and Wine
Spirits*

SEC. 612. That under such regulations and official supervision and upon the giving of such notices, entries, bonds, and other security as the Commissioner, with the approval of the Secretary, may prescribe, any producer of wines defined under the provisions of this title, may withdraw from any fruit distillery or special bonded warehouse grape brandy, or wine

spirits, for the fortification of such wines on the premises where actually made: *Provided*, That there shall be levied and assessed against the producer of such wines a tax (in lieu of the internal-revenue tax now imposed thereon by law) of 60 cents per proof gallon of grape brandy or wine spirits whenever withdrawn and hereafter so used by him in the fortification of such wines during the preceding month, which assessment shall be paid by him within ten months from the date of notice thereof: *Provided further*, That nothing contained in this section shall be construed as exempting any wines, cordials, liqueurs, or similar compounds from the payment of any tax provided for in this title.

SEC. 613. That upon the following articles which are hereafter produced in or imported into the United States, or which on the day after the passage of this Act are on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid taxes at rates as follows, when sold, or removed for consumption or sale:

On each bottle or other container of champagne or sparkling wine, 12 cents on each one-half pint or fraction thereof;

*Champagne
or Sparkling
Wine*

On each bottle or other container of artificially carbonated wine, 6 cents on each one-half pint or fraction thereof;

*Carbonated
Wine*

On each bottle or other container of liqueurs, cordials, or similar compounds, by whatever name sold or offered for sale, containing sweet wine fortified with grape brandy, 6 cents on each one-half pint or fraction thereof.

*Liqueurs and
Cordials*

The tax imposed by this section shall, in the case of any article upon which a corresponding internal-revenue tax is now imposed by law, be in lieu of such tax.

SEC. 614. That upon all articles specified in section 611 or 613 upon which the internal-revenue tax now imposed by law has been paid and which are on the day after the passage of this Act held by any person and intended for sale, there shall be levied, collected, and paid a floor tax equal to the difference between the tax imposed by this Act and the tax so paid.

Floor Tax

SEC. 615. That upon all sweet wines held for sale by the producer thereof upon the day after the passage of this Act there shall be levied, assessed, collected, and paid a floor tax equivalent to 30 cents per proof gallon upon the grape brandy or wine spirits used in the fortification of such wine.

SEC. 616. That the taxes imposed by section 611 or 613 shall be paid by stamp on removal of the wines from the customhouse, winery, or other bonded place of storage for consumption or sale, and every person hereafter producing, or having in his possession or under his control when this title takes effect, any wines subject to the tax imposed in section 611 or 613 shall file such notice, describing the premises

*Payment of
Tax by
Stamps*

Notice, etc.

on which such wines are produced or stored; shall execute a bond in such form; shall make such inventories under oath; and shall, prior to sale or removal for consumption, affix to each cask or vessel containing such wine such marks, labels, or stamps as the Commissioner, with the approval of the Secretary, may from time to time prescribe; and the premises described in such notice shall, for the purpose of this Act, be regarded as bonded premises. But the provisions of this section, except as to payment of tax and the affixing of the required stamps or labels, shall not apply to wines held by retail dealers, as defined in section 3244 of the Revised Statutes, nor, subject to regulations prescribed by the Commissioner, with the approval of the Secretary, shall the tax imposed by section 611 apply to wines produced for the family use of the duly registered producer thereof and not sold or otherwise removed from the place of manufacture and not exceeding in any case two hundred gallons per year.

SEC. 617. That sections 42, 43, and 45 of the Act entitled "An Act to reduce the revenue and equalize duties on imports, and for other purposes," approved October 1, 1890, as amended by section 68 of the Act entitled "An Act to reduce taxation, to provide revenue for the Government, and for other purposes," approved August 27, 1894, are further amended to read as follows:

*Preparation
of Sweet
Wines*

"SEC. 42. That any producer of pure sweet wines may use in the preparation of such sweet wines, under such regulations and after the filing of such notices and bonds, together with the keeping of such records and the rendition of such reports as to materials and products as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, wine spirits produced by any duly authorized distiller, and the Commissioner of Internal Revenue, in determining the liability of any distiller of wine spirits to assessment under section 3309 of the Revised Statutes, is authorized to allow such distiller credit in his computations for the wine spirits withdrawn to be used in fortifying sweet wines under this Act.

*Fortification
of Wines*

"SEC. 43. That the wine spirits mentioned in section 42 is the product resulting from the distillation of fermented grape juice, to which water may have been added prior to, during, or after fermentation, for the sole purpose of facilitating the fermentation and economical distillation thereof, and shall be held to include the product from grapes or their residues commonly known as grape brandy, and shall include commercial grape brandy which may have been colored with burnt sugar or caramel; and the pure sweet wines which may be fortified with wine spirits under the provisions of this Act is fermented or partially fermented grape juice only, with the usual cellar treatment, and shall contain no other substance whatever introduced before, at the time of, or after fermentation,

except as herein expressly provided: *Provided*, That the addition of pure boiled or condensed grape must or pure crystallized cane or beet sugar, or pure dextrose sugar containing, respectively, not less than 95 per centum of actual sugar, calculated on a dry basis, or water, or any or all of them, to the pure grape juice before fermentation, or to the fermented product of such grape juice, or to both, prior to the fortification herein provided for, either for the purpose of perfecting sweet wines according to commercial standards or for mechanical purposes, shall not be excluded by the definition of pure sweet wine aforesaid: *Provided, however*, That the cane or beet sugar, or pure dextrose sugar added for sweetening purposes shall not be in excess of 11 per centum of the weight of the wine to be fortified: *And provided further*, That the addition of water herein authorized shall be under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may from time to time prescribe: *Provided, however*, That records kept in accordance with such regulations as to the percentage of saccharine, acid, alcoholic, and added water content of the wine offered for fortification shall be open to inspection by any official of the Department of Agriculture thereto duly authorized by the Secretary of Agriculture; but in no case shall such wines to which water has been added be eligible for fortification under the provisions of this Act, where the same, after fermentation and before fortification, have an alcoholic strength of less than 5 per centum of their volume.

"Sec. 45. That under such regulations and official supervision, and upon the execution of such entries and the giving of such bonds, bills of lading, and other security as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, any producer of pure sweet wines as defined by this Act may withdraw wine spirits from any special bonded warehouse in original packages or from any registered distillery in any quantity not less than eighty wine gallons, and may use so much of the same as may be required by him under such regulations, and after the filing of such notices and bonds and the keeping of such records and the rendition of such reports as to materials and products and the disposition of the same as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, in fortifying the pure sweet wines made by him, and for no other purpose, in accordance with the foregoing limitations and provisions; and the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized whenever he shall deem it to be necessary for the prevention of violations of this law to prescribe that wine spirits withdrawn under this section shall not be used to fortify wines except at a certain distance prescribed by him from any distillery, rectifying

*Withdrawal
of Wine
Spirits*

house, winery, or other establishment used for producing or storing distilled spirits, or for making or storing wines other than wines which are so fortified, and that in the building in which such fortification of wine is practiced no wines or spirits other than those permitted by this regulation shall be stored in any room or part of the building in which fortification of wines is practiced. The use of wine spirits for the fortification of sweet wines under this Act shall be under the immediate supervision of an officer of internal revenue, who shall make returns describing the kinds and quantities of wine so fortified, and shall affix such stamps and seals to the packages containing such wines as may be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury; and the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall provide by regulations the time within which wines so fortified with the wine spirits so withdrawn may be subject to inspection, and for final accounting for the use of such wine spirits and for rewarehousing or for payment of the tax on any portion of such wine spirits which remain not used in fortifying pure sweet wines."

SEC. 618.(a) That under such regulations and upon the execution of such notices, entries, bonds, and other security as the Commissioner, with the approval of the Secretary, may prescribe, domestic wines subject to the tax imposed by section 611 may be removed from the winery where produced, free of tax, for storage on other bonded premises or from such premises to other bonded premises (but not more than one such additional removal shall be allowed), or for exportation from the United States or for use as distilling material at any regularly registered distillery: *Provided, however,* That the distiller using any such wine as material shall, subject to the provisions of section 3309 of the Revised Statutes, as amended, be held to pay the tax on the product of such wines as will include both the alcoholic strength therein produced by fermentation and that obtained from the brandy or wine spirits added to such wines at the time of fortification.

*Production
of Grape
Wine*

(b) Under regulations prescribed by the Commissioner with the approval of the Secretary, it shall be lawful to produce grape wines on bonded winery premises by the usual method, and to transport and use the same, and like wines heretofore produced and now stored on bonded winery premises, as distilling material for the production of nonbeverage spirits and the production of nonalcoholic wines, containing less than $\frac{1}{2}$ of 1 per centum of alcohol by volume, in any fruit brandy or industrial distillery: *Provided,* That all alcoholic spirits so obtained at any industrial distillery shall be denatured, and all spirits so obtained at any fruit distillery shall be removed and used only for nonbeverage purposes or for denaturation,

SEC. 619. That the collection of the tax on imported still wines, including vermouth, and sparkling wines, including champagne, and on imported liqueurs, cordials, and similar compounds, may be made within the discretion of the Commissioner, with the approval of the Secretary, by assessment instead of by stamps. *Collection of Tax on Imported Wines*

SEC. 620. That whoever evades or attempts to evade any tax imposed by sections 611 to 615, both inclusive, or any requirement of sections 610 to 621, both inclusive, or regulation issued pursuant thereto, or whoever, otherwise than as provided in such sections, recovers or attempts to recover any spirits from domestic or imported wine, or whoever rectifies, mixes, or compounds with distilled spirits any domestic wines, other than in the manufacture of liqueurs, cordials, or similar compounds, shall, on conviction, be punished for each such offense by a fine of not exceeding \$5,000, or imprisonment for not more than five years, or both, and in addition thereto by a penalty of double the tax evaded, or attempted to be evaded, to be assessed and collected in the same manner as taxes are assessed and collected, and all wines, spirits, liqueurs, cordials, or similar compounds as to which such violation occurs shall be forfeited to the United States. But the provisions of this section and the provisions of section 3244 of the Revised Statutes, as amended, relating to rectification, or other internal-revenue laws of the United States, shall not be held to apply to or prohibit the mixing or blending of wines subject to tax under the provisions of sections 611 to 615, both inclusive, with each other or with other wines for the sole purpose of perfecting such wines according to commercial standards: *Provided*, That nothing herein contained shall be construed as prohibiting the use of tax-paid grain or other ethyl alcohol in the fortification of sweet wines as defined in section 610 of this Act and section 43 of the Act entitled, "An Act to reduce the revenue and equalize duties on imports, and for other purposes," approved October 1, 1890, as amended by this Act. *Penalty*

SEC. 621. That the Commissioner, by regulations to be approved by the Secretary, may require the use at each fruit distillery of such spirit meters, and such locks and seals to be affixed to fermenters, tanks, or other vessels and to such pipe connections as may in his judgment be necessary or expedient, and is hereby authorized to assign to any such distillery and to each winery where wines are to be fortified such number of gaugers or storekeeper-gaugers in the capacity of gaugers as may be necessary for the proper supervision of the manufacture of brandy or the making or fortifying of wines subject to tax imposed by this section; and the compensation of such officers shall not exceed \$5 per diem while so assigned, together with their actual and necessary traveling expenses, and also a reasonable allowance for their board *Installation of Meters, etc.*

*Allowance
for Loss*

bills, to be fixed by the Commissioner, with the approval of the Secretary, but not to exceed \$2.50 per diem for such board bills.

SEC. 622. That the Commissioner, with the approval of the Secretary, is hereby authorized to make such allowances for unavoidable loss of wines while on storage or during cellar treatment as in his judgment may be just and proper.

SEC. 623. That the second paragraph of section 3264 of the Revised Statutes, as amended by section 5 of the Act of March 1, 1879, and as further amended by the Act of June 22, 1910, be amended so as to read as follows:

"In all surveys forty-five gallons of mash or beer brewed or fermented from grain shall represent not less than one bushel of grain, and seven gallons of mash or beer brewed or fermented from molasses shall represent not less than one gallon of molasses, except in distilleries operated on the sour-mash principle, in which distilleries sixty gallons of beer brewed or fermented from grain shall represent not less than one bushel of grain, and except that in distilleries where the filtration-aeration process is used, with the approval of the Commissioner of Internal Revenue; that is, where the mash after it leaves the mash tub is passed through a filtering machine before it is run into the fermenting tub, and only the filtered liquor passes into the fermenting tub, there shall hereafter be no limitation upon the number of gallons of water which may be used in the process of mashing or filtration for fermentation; but the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, in order to protect the revenue, shall be authorized to prescribe by regulation, to be made by him, such character of survey as he may find suitable for distilleries using such filtration-aeration process. The provisions hereof relating to filtration-aeration process shall apply only to sweet-mash distilleries."

SEC. 624. That under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, alcohol or other distilled spirits of a proof strength of not less than one hundred and eighty degrees intended for export free of tax may be drawn from receiving cisterns at any distillery, or from storage tanks in any distillery warehouse, for transfer to tanks or tank cars for export from the United States, and all provisions of existing law relating to the exportation of distilled spirits not inconsistent herewith shall apply to spirits removed for export under the provisions of this Act.

SEC. 625. That section 3255 of the Revised Statutes as amended by the Act of June 3, 1896, and as further amended by the Act of March 2, 1911, be further amended so as to read as follows:

"SEC. 3255. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may ex-

empt distillers of brandy made exclusively from apples, peaches, grapes, pears, pineapples, oranges, apricots, berries, plums, pawpaws, persimmons, prunes, figs, or cherries from any provision of this title relating to the manufacture of spirits, except as to the tax thereon, when in his judgment it may seem expedient to do so: *Provided*, That where, in the manufacture of wine, artificial sweetening has been used the wine or the fruit pomace residuum may be used in the distillation of brandy, and such use shall not prevent the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, from exempting such distiller from any provision of this title relating to the manufacture of spirits, except as to the tax thereon, when in his judgment it may seem expedient to do so: *And provided further*, That the distillers mentioned in this section may add to not less than five hundred gallons (or ten barrels) of grape cheese not more than five hundred gallons of a sugar solution made from cane, beet, starch, or corn sugar, 95 per centum pure, such solution to have a saccharine strength of not to exceed 10 per centum, and may ferment the resultant mixture on a winery or distillery premises, and such fermented product shall be regarded as distilling material."

SEC. 626. That distilled spirits known commercially as gin of not less than 80 per centum proof may at any time within eight years after entry in bond at any distillery be bottled in bond at such distillery for export without the payment of tax, under such rules and regulations as the Commissioner, with the approval of the Secretary, may prescribe. *Bottling of Gin*

SEC. 627. That section 3354 of the Revised Statutes as amended by the Act approved June 18, 1890, be, and is hereby, amended to read as follows:

"SEC. 3354. Every person who withdraws any fermented liquor from any hogshead, barrel, keg, or other vessel upon which the proper stamp has not been affixed for the purpose of bottling the same, or who carries on or attempts to carry on the business of bottling fermented liquor in any brewery or other place in which fermented liquor is made, or upon any premises having communication with such brewery, or any warehouse, shall be liable to a fine of \$500, and the property used in such bottling or business shall be liable to forfeiture: *Provided, however*, That this section shall not be construed to prevent the withdrawal and transfer of unfermented, partially fermented, or fermented liquors from any of the vats in any brewery by way of a pipe line or other conduit to another building or place for the sole purpose of bottling the same, such pipe line or conduit to be constructed and operated in such manner and with such cisterns, vats, tanks, valves, cocks, faucets, and gauges, or other utensils or apparatus, either on the premises of the brewery or the bottling house, and with *Penalty*

such changes of or additions thereto, and such locks, seals, or other fastenings, and under such rules and regulations as shall be from time to time prescribed by the Commissioner of Internal Revenue, subject to the approval of the Secretary of the Treasury, and all locks and seals prescribed shall be provided by the Commissioner of Internal Revenue at the expense of the United States: *Provided further*, That the tax imposed in section 3339 of the Revised Statutes shall be paid on all fermented liquor removed from a brewery to a bottling house by means of a pipe or conduit, at the time of such removal, by the cancellation and defacement, by the collector of the district or his deputy, in the presence of the brewer, of the number of stamps denoting the tax on the fermented liquor thus removed. The stamps thus canceled and defaced shall be disposed of and accounted for in the manner directed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury. And any violation of the rules and regulations hereafter prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, in pursuance of these provisions, shall be subject to the penalties above provided by this section. Every owner, agent, or superintendent of any brewery or bottling house who removes, or connives at the removal of, any fermented liquor through a pipe line or conduit, without payment of the tax thereon, or who attempts in any manner to defraud the revenue as above, shall forfeit all the liquors made by and for him, and all the vessels, utensils, and apparatus used in making the same."

SEC. 628. That there shall be levied, assessed, collected, and paid in lieu of the taxes imposed by sections 313 and 315 of the Revenue Act of 1917—

Soft Drinks

(a) Upon all beverages derived wholly or in part from cereals or substitutes therefor, and containing less than one-half of one per centum of alcohol, sold by the manufacturer, producer, or importer, in bottles or other closed containers, a tax equivalent to 15 per centum of the price for which so sold; and upon all unfermented grape juice, ginger ale, root beer, sarsaparilla, pop, artificial mineral waters (carbonated or not carbonated), other carbonated waters or beverages, and other soft drinks sold by the manufacturer, producer, or importer, in bottles or other closed containers, a tax equivalent to 10 per centum of the price for which so sold; and

Waters

(b) Upon all natural mineral waters or table waters, sold by the producer, bottler, or importer thereof, in bottles or other closed containers at over 10 cents per gallon, a tax of 2 cents per gallon.

*Monthly
Returns*

SEC. 629. That each manufacturer, producer, bottler, or importer of any of the articles enumerated in section 628 shall make monthly returns under oath in duplicate and pay the taxes imposed in respect to such articles by such section to

the collector for the district in which is located the principal place of business, containing such information necessary for the assessment of the tax, and at such times and in such manner as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax a penalty of 5 per centum, together with interest at the rate of 1 per centum for each full month, from the time when the tax became due.

SEC. 630. That on and after May 1, 1919, there shall be levied, assessed, collected, and paid a tax of 1 cent for each 10 cents or fraction thereof of the amount paid to any person conducting a soda fountain, ice-cream parlor, or other similar place of business, for drinks commonly known as soft drinks, compounded or mixed at such place of business, or for ice cream, ice-cream sodas, sundaes, or other similar articles of food or drink, when any of the above are sold on or after such date for consumption in or in proximity to such place of business. Such tax shall be paid by the purchaser to the vendor at the time of the sale and shall be collected, returned, and paid to the United States by such vendor in the same manner as provided in section 502.

*Payment
of Tax*

*Soda Water
and Ice
Cream*

Title VII.

Cigars, Cigarettes and Tobacco*

In Lieu of Taxes heretofore Imposed
(Effective Day after Passage of Act)

Summary

CIGARS	<u>T A X</u>
Manufactured in or imported into U. S. and sold, or removed for consumption or sale. (Sec. 700-a)	
Weighing not more than 3 lbs. per 1,000—per 1,000	\$1.50
Weighing more than 3 lbs. per 1,000:	
If manufactured or imported to retail at	
Not more than 5c. each—per 1,000	4.00
More than 5c. and not more than 8c. each—per 1,000	6.00
More than 8c. and not more than 15c. each—per 1,000	9.00
More than 15c. and not more than 20c. each—per 1,000	12.00
More than 20c. each	15.00

CIGARETTES

Manufactured in or imported into U. S. and sold, or removed for consumption or sale. (Sec. 700-a)	
Weighing not more than 3 lbs. per 1,000, per 1,000	3.00
Weighing more than 3 lbs. per 1,000, per 1,000	7.20

Cigarettes (including small cigars weighing not more than 3 lbs. per 1,000) shall be put up in packages containing 5, 8, 10, 12, 15, 16, 20, 24, 40, 50, 80 or 100, and manufacturers shall affix and cancel stamps denoting payment of tax; cigarettes imported shall be stamped and stamps cancelled, in addition to the import stamps, before withdrawn. (Sec. 700-d.)

*Tax applies to cigars and cigarettes made of tobacco or any substitute.

The word "retail" as used in regard to cigars means the ordinary retail price of a single cigar. (Sec. 700-b.)

The Commissioner may require manufacturers or importers to affix to each container, a conspicuous label indicating the clause of Sec. 700 under which the cigars have been tax-paid, which must correspond with the tax-paid stamp. (Sec. 700-c.)

Tax to be paid by manufacturer or importer under the provisions of existing law. (700-a.)

TOBACCO and SNUFF (Sec. 701)

Manufactured in or imported into the U. S. and sold, or removed for consumption or sale, per lb. \$.18

The manufacturer shall put up all tobacco prepared for removal for sale or consumption in accordance with the provisions of R. S. Sec. 3362. (Sec. 701-b.)

FLOOR TAX

All articles, heretofore listed, manufactured or imported and removed from factory or custom house on or before passage of this Act and upon which tax imposed by existing law has been paid and which are on the day after passage of this Act held by a person, intending to sell, are subject to a floor tax equal to the difference between (a) the tax imposed by this Act, and (b) the tax imposed by existing law, other than section 403 of the Act of October 3, 1917. (Sec. 702.)

CIGARETTE PAPERS AND TUBES

Made up in or imported into the U. S. and sold to any person other than a manufacturer for the purpose of manufacture. (Sec. 703.)

Papers upon each package, book or set containing

Over 25 and not over 50 papers .005

Over 50 and not over 100 papers .01

Over 100, for each 50 papers or fraction .005

TUBES, for each 50 tubes or fraction .01

Cigarette manufacturers, purchasing papers made up into tubes shall give bond that they will use such tubes in the manufacture of cigarettes, or pay the tax imposed, as above. They shall keep such records and render such returns as the Commissioner may prescribe, in order to show the disposition of such tubes. (Sec. 703.)

Text of Law.—Title VII

SEC. 700.(a) That upon cigars and cigarettes manufactured in or imported into the United States, and hereafter sold by the manufacturer or importer, or removed for consumption or sale, there shall be levied, collected, and paid under the provisions of existing law, in lieu of the internal-

revenue taxes now imposed thereon by law, the following taxes, to be paid by the manufacturer or importer thereof—

On cigars of all descriptions made of tobacco, or any substitute therefor, and weighing not more than three pounds per thousand, \$1.50 per thousand;

*Rates of Tax
on Cigars*

On cigars made of tobacco, or any substitute therefor, and weighing more than three pounds per thousand, if manufactured or imported to retail at not more than 5 cents each, \$4 per thousand;

If manufactured or imported to retail at more than 5 cents each and not more than 8 cents each, \$6.00 per thousand;

If manufactured or imported to retail at more than 8 cents each and not more than 15 cents each, \$9 per thousand;

If manufactured or imported to retail at more than 15 cents each and not more than 20 cents each, \$12 per thousand;

If manufactured or imported to retail at more than 20 cents each, \$15 per thousand;

Cigarettes

On cigarettes made of tobacco, or any substitute therefor, and weighing not more than three pounds per thousand, \$3.00 per thousand;

Weighing more than three pounds per thousand, \$7.20 per thousand.

Retail Price

(b) Whenever in this section reference is made to cigars manufactured or imported to retail at not over a certain price each, then in determining the tax to be paid regard shall be had to the ordinary retail price of a single cigar.

*Label on
Container*

(c) The Commissioner may, by regulation, require the manufacturer or importer to affix to each box, package, or container a conspicuous label indicating the clause of this section under which the cigars therein contained have been tax-paid, which must correspond with the tax-paid stamp on such box or container.

*Cigarette
Packages*

(d) Every manufacturer of cigarettes (including small cigars weighing not more than three pounds per thousand) shall put up all the cigarettes and such small cigars that he manufactures or has manufactured for him, and sells or removes for consumption or sale, in packages or parcels containing five, eight, ten, twelve, fifteen, sixteen, twenty, twenty-four, forty, fifty, eighty, or one hundred cigarettes each, and shall securely affix to each of such packages or parcels a suitable stamp denoting the tax thereon and shall properly cancel the same prior to such sale or removal for consumption or sale under such regulations as the Commissioner, with the approval of the Secretary, shall prescribe; and all cigarettes imported from a foreign country shall be packed, stamped, and the stamps canceled in a like manner, in addition to the import stamp indicating inspection of the customhouse before they are withdrawn therefrom.

*Tobacco and
Snuff*

SEC. 701(a). That upon all tobacco and snuff manufactured in or imported into the United States, and hereafter sold by the manufacturer or importer, or removed for con-

sumption or sale, there shall be levied, collected, and paid, in lieu of the internal-revenue taxes now imposed thereon by law, a tax of 18 cents per pound, to be paid by the manufacturer or importer thereof.

(b) Section 3362 of the Revised Statutes, as amended, is hereby amended to read as follows:

"Sec. 3362. All manufactured tobacco shall be put up and prepared by the manufacturer for sale, or removal for sale or consumption, in packages of the following description and in no other manner: *Packages of Tobacco*

"All smoking tobacco, snuff, fine-cut chewing tobacco, all cut and granulated tobacco, all shorts, the refuse of fine-cut chewing, which has passed through a riddle of thirty-six meshes to the square inch, and all refuse scraps, clippings, cuttings, and sweepings of tobacco, and all other kinds of tobacco not otherwise provided for, in packages containing one-eighth of an ounce, three-eighths of an ounce, and further packages with a difference between each package and the one next smaller of one-eighth of an ounce up to and including two ounces, and further packages with a difference between each package and the one next smaller of one-fourth of an ounce up to and including four ounces, and packages of five ounces, six ounces, seven ounces, eight ounces, ten ounces, twelve ounces, fourteen ounces, and sixteen ounces: *Provided*, That snuff may, at the option of the manufacturer, be put up in bladders and in jars containing not exceeding twenty pounds.

"All cavendish, plug, and twist tobacco, in wooden packages not exceeding two hundred pounds net weight.

"And every such wooden package shall have printed or marked thereon the manufacturer's name and place of manufacture, the registered number of the manufactory, and the gross weight, the tare, and the net weight of the tobacco in each package: *Provided*, That these limitations and descriptions of packages shall not apply to tobacco and snuff transported in bond for exportation and actually exported: *And provided further*, That perique tobacco, snuff flour, fine-cut shorts, the refuse of fine-cut chewing tobacco, refuse scraps, clippings, cuttings, and sweepings of tobacco, may be sold in bulk as material, and without the payment of tax, by one manufacturer directly to another manufacturer, or for export, under such restrictions, rules, and regulations as the Commissioner of Internal Revenue may prescribe: *And provided further*, That wood, metal, paper, or other materials may be used separately or in combination for packing tobacco, snuff, and cigars, under such regulations as the Commissioner of Internal Revenue may establish."

Sec. 702. That upon all the articles enumerated in section 700 or 701, which were manufactured or imported, and removed from factory or customhouse on or prior to the date of the passage of this Act, and upon which the tax im- *Floor Tax*

*Cigarette
Papers and
Tubes*

posed by existing law has been paid, and which are, on the day after the passage of this Act, held by any person and intended for sale, there shall be levied, assessed, collected, and paid a floor tax equal to the difference between (a) the tax imposed by this Act upon such articles according to the class in which they are placed by this title, and (b) the tax imposed upon such articles by existing law other than section 403 of the Revenue Act of 1917.

SEC. 703. That there shall be levied, collected, and paid, in lieu of the taxes imposed by section 404 of the Revenue Act of 1917, upon cigarette paper made up into packages, books, sets, or tubes, made up in or imported into the United States and hereafter sold by the manufacturer or importer to any person (other than to a manufacturer of cigarettes for use by him in the manufacture of cigarettes) the following taxes, to be paid by the manufacturer or importer: On each package, book, or set, containing more than twenty-five but not more than fifty papers, $\frac{1}{2}$ cent; containing more than fifty but not more than one hundred papers, 1 cent; containing more than one hundred papers, $\frac{1}{2}$ cent for each fifty papers or fractional part thereof; and upon tubes, 1 cent for each fifty tubes or fractional part thereof.

Every manufacturer of cigarettes purchasing any cigarette paper made up into tubes (a) shall give bond in an amount and with sureties satisfactory to the Commissioner that he will use such tubes in the manufacture of cigarettes or pay thereon a tax equivalent to the tax imposed by this section, and (b) shall keep such records and render under oath such returns as the Commissioner finds necessary to show the disposition of all tubes purchased or imported by such manufacturer of cigarettes.

SEC. 704. That section 35 of the Act entitled "An Act to provide revenue, equalize duties and encourage the industries of the United States, and for other purposes," approved August 5, 1909, be, and is hereby, repealed, to take effect April 1, 1919.

That section 3360 of the Revised Statutes be, and is hereby amended to read as follows:

*Dealers in
Leaf
Tobacco*

"SEC. 3360.(a) Every dealer in leaf tobacco shall file with the collector of the district in which his business is carried on, a statement in duplicate, subscribed under oath, setting forth the place, and if in a city, the street and number of the street, where his business is to be carried on, and the exact location of each place where leaf tobacco is held by him on storage, and, whenever he adds to or discontinues any of his leaf tobacco storage places, he shall give immediate notice to the collector of the district in which he is registered.

Statement

"Every such dealer shall give a bond with surety, satisfactory to, and to be approved by, the collector of the district, in such penal sum as the collector may require, not less than

\$500; and a new bond may be required in the discretion of the collector or under instructions of the Commissioner.

"Every such dealer shall be assigned a number by the collector of the district, which number shall appear in every inventory, invoice and report rendered by the dealer, who shall also obtain certificates from the collector of the district setting forth the place where his business is carried on and the places designated by the dealer as the places of storage of his tobacco, which certificates shall be posted conspicuously within the dealer's registered place of business, and within each designated place of storage.

*Assignment
of Number*

"(b) Every dealer in leaf tobacco shall make and deliver to the collector of the district a true inventory of the quantity of the different kinds of tobacco held or owned, and where stored by him, on the first day of January of each year, or at the time of commencing and at the time of concluding business, if before or after the first day of January, such inventory to be made under oath and rendered in such form as may be prescribed by the Commissioner.

Inventory

"Every dealer in leaf tobacco shall render such invoices and keep such records as shall be prescribed by the Commissioner, and shall enter therein, day by day, and upon the same day on which the circumstance, thing or act to be recorded is done or occurs, an accurate account of the number of hogsheads, tierces, cases and bales, and quantity of leaf tobacco contained therein, purchased or received by him, on assignment, consignment, for storage, by transfer or otherwise, and of whom purchased or received, and the number of hogsheads, tierces, cases and bales, and the quantity of leaf tobacco contained therein, sold by him, with the name and residence in each instance of the person to whom sold, and if shipped, to whom shipped, and to what district; such records shall be kept at his place of business at all times and preserved for a period of two years, and the same shall be open at all hours for the inspection of any internal-revenue officer or agent.

Records

"Every dealer in leaf tobacco on or before the tenth day of each month, shall furnish to the collector of the district a true and complete report of all purchases, receipts, sales and shipments of leaf tobacco made by him during the month next preceding, which report shall be verified and rendered in such form as the Commissioner, with the approval of the Secretary, shall prescribe.

*Monthly
Report*

"(c) Sales or shipments of leaf tobacco by a dealer in leaf tobacco shall be in quantities of not less than a hogshead, tierce, case, or bale, except loose leaf tobacco comprising the breaks on warehouse floors, and except to a duly registered manufacturer of cigars for use in his own manufactory exclusively.

*Sales and
Shipments*

"Dealers in leaf tobacco shall make shipments of leaf tobacco only to other dealers in leaf tobacco, to registered

manufacturers of tobacco, snuff, cigars or cigarettes, or for export.

"(d) Upon all leaf tobacco sold, removed or shipped by any dealer in leaf tobacco in violation of the provisions of subdivision (c), or in respect to which no report has been made by such dealer in accordance with the provisions of subdivision (b), there shall be levied, assessed, collected and paid a tax equal to the tax then in force upon manufactured tobacco, such tax to be assessed and collected in the same manner as the tax on manufactured tobacco.

Penalty

"(e) Every dealer in leaf tobacco

"(1) who neglects or refuses to furnish the statement, to give bond, to keep books, to file inventory or to render the invoices, returns or reports required by the Commissioner, or to notify the collector of the district of additions to his places of storage; or

"(2) who ships or delivers leaf tobacco, except as herein provided; or

"(3) who fraudulently omits to account for tobacco purchased, received, sold, or shipped; shall be fined not less than \$100 or more than \$500, or imprisoned not more than one year, or both.

"(f) For the purposes of this section a farmer or grower of tobacco shall not be regarded as a dealer in leaf tobacco in respect to the leaf tobacco produced by him."

Title VIII.—Tax on Admissions* and Dues

In Lieu of Tax Imposed by Act of October 3, 1917
(Effective April 1, 1919)

Summary

ADMISSIONS

	<u>T A X</u>
ADMISSIONS —Persons paying admission. (<i>Sec. 800-a, par. 1.</i>) Per each 10c. or fraction	\$.01
Persons admitted free, or at reduced rates, (except employees, municipal officers on official business, persons in the military or naval forces of the United States, when in uniform, or children under 12 years (<i>Sec. 800-a, par. 2</i>) per each 10c. charged for similar admissions	.01
An additional tax is levied on the amount paid for tickets to places of amusement sold in excess of the regular price at places other than ticket offices of such amusements, (<i>Sec. 800-a, par. 3</i>) if excess is:	
Not over 50c., on such excess	5%
Over 50c., on such excess	50%
Sold by proprietors or employees of such amusements for an amount in excess of regular price, (<i>Sec. 800-a, par. 4</i>) on such excess	50%

*NOTE: No tax shall be levied where all the proceeds inure to the benefit of religious, educational or charitable organizations, societies or institutions, or societies for the prevention of cruelty to children and animals; or organizations conducted for the sole purpose of maintaining symphony orchestras and receiving substantial support from voluntary contributions, none of the profits of which inure to members, or exclusively to the benefit of persons in the military or naval forces of the United States, or on admissions to agricultural fairs. (*Sec. 800-b.*)

The regular price of tickets, exclusive of tax, and name of vendor must indelibly appear thereon. Any one selling such tickets not so marked is subject to fine of \$100. (*Sec. 800-d.*)

Persons or organizations receiving payments of admissions, or admitting persons free, shall collect taxes from persons so admitted. (*Sec. 802*), make monthly reports, and pay the taxes so collected to Collector of Internal Revenue. (*Sec. 502.*)

Admission includes seats and tables, reserved or otherwise, and other accommodations, and the charges made therefor. (*Sec. 800-c.*)

CABARETS or similar entertainments to which the charge for admission is wholly or in part included in the price paid for refreshment, service or merchandise (*Sec. 800-a, par. 6*) per each 10c. or fraction \$.01½

The amount paid for such admission is deemed to be 20% of amount paid for refreshment, service, and merchandise.—(*Sec. 800-a, par. 6.*)

BOXES OR SEATS, for permanent use on the amount for which a similar box or seat is sold for each performance at which the box or seat is used or reserved, (*Sec. 800-a, par. 5*) 10%

DUES

DUES OR MEMBERSHIP FEES, in social, athletic, or sporting clubs, where the active resident annual dues are over \$10.00 (*Sec. 801-a*) on amount thereof 10%

INITIATION FEES to such organization if (1) same are over \$10.00 or (2) active resident annual dues are over \$10.00 (*Sec. 801-b*) on amount thereof 10%

LIFE MEMBERSHIPS, members are taxed annually at the same time and for a like amount as active resident annual members. (*Sec. 801-b.*)

Dues to fraternal societies, operating under the lodge system, are exempt. (*Sec. 801-b.*)

Persons in organisations receiving payments of dues, or organisations having life members, shall collect taxes from the person paying dues and from the life members (*Sec. 802*), and shall make monthly reports and pay the taxes so collected to the Collector. (*Sec. 502.*)

Text of Law.—Title VIII

SEC. 800.(a) That from and after April 1, 1919, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 700 of the Revenue Act of 1917—

(1) A tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place on or after such date, including admission by season ticket or subscription, to be paid by the person paying for such admission;

(2) In the case of persons (except bona fide employees, municipal officers on official business, persons in the military or naval forces of the United States when in uniform, and children under twelve years of age) admitted free or at re-

*Rate of
Tax*

*Persons
Admitted
Free*

duced rates to any place at a time when and under circumstances under which an admission charge is made to other persons, a tax of 1 cent for each 10 cents or fraction thereof of the price so charged to such other persons for the same or similar accommodations, to be paid by the person so admitted;

(3) Upon tickets or cards of admission to theaters, operas, and other places of amusement, sold at news stands, hotels, and places other than the ticket offices of such theaters, operas, or other places of amusement, at not to exceed 50 cents in excess of the sum of the established price therefor at such ticket offices plus the amount of any tax imposed under paragraph (1), a tax equivalent to 5 per centum of the amount of such excess; and if sold for more than 50 cents in excess of the sum of such established price plus the amount of any tax imposed under paragraph (1), a tax equivalent to 50 per centum of the whole amount of such excess, such taxes to be returned and paid, in the manner provided in section 903, by the person selling such tickets;

*Tickets Sold
at other
than Place of
Amusement*

(4) A tax equivalent to 50 per centum of the amount for which the proprietors, managers, or employees of any opera house, theater, or other place of amusement sell or dispose of tickets or cards of admission in excess of the regular or established price or charge therefor, such tax to be returned and paid, in the manner provided in section 903, by the person selling such tickets;

*Tickets Sold
in Excess of
Regular
Price*

(5) In the case of persons having the permanent use of boxes or seats in an opera house or any place of amusement or a lease for the use of such box or seat in such opera house or place of amusement (in lieu of the tax imposed by paragraph (1), a tax equivalent to 10 per centum of the amount for which a similar box or seat is sold for each performance or exhibition at which the box or seat is used or reserved by or for the lessee or holder, such tax to be paid by the lessee or holder; and

*Seats and
Boxes for
Permanent
Use*

(6) A tax of $1\frac{1}{2}$ cents for each 10 cents or fraction thereof of the amount paid for admission to any public performance for profit at any roof garden, cabaret, or other similar entertainment, to which the charge for admission is wholly or in part included in the price paid for refreshment, service, or merchandise; the amount paid for such admission to be deemed to be 20 per centum of the amount paid for refreshment, service, and merchandise; such tax to be paid by the person paying for such refreshment, service, or merchandise.

*Cabarets,
and Roof
Gardens*

(b) No tax shall be levied under this title in respect to any admissions all the proceeds of which inure exclusively to the benefit of religious, educational, or charitable institutions, societies, or organizations, societies for the prevention of cruelty to children or animals, or exclusively to the benefit of organizations conducted for the sole purpose of maintaining symphony orchestras and receiving substantial support from

*Religious
and Char-
itable Enter-
tainments*

voluntary contributions, none of the profits of which are distributed to members of such organizations, or exclusively to the benefit of persons in the military or naval forces of the United States, or admissions to agricultural fairs none of the profits of which are distributed to stockholders or members of the association conducting the same.

*Admission
Defined*

(c) The term "admission" as used in this title includes seats and tables, reserved or otherwise, and other similar accommodations, and the charges made therefor.

*Price to
Appear on
Tickets*

(d) The price (exclusive of the tax to be paid by the person paying for admission) at which every admission ticket or card is sold shall be conspicuously and indelibly printed, stamped, or written on the face or back thereof, together with the name of the vendor if sold other than at the ticket office of the theater, opera, or other place of amusement. Whoever sells an admission ticket or card on which the name of the vendor and price is not so printed, stamped, or written, or at a price in excess of the price so printed, stamped, or written thereon, is guilty of a misdemeanor, and upon conviction thereof shall be fined not more than \$100.

Dues

Sec. 801. That from and after April 1, 1919, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 701 of the Revenue Act of 1917, a tax equivalent to 10 per centum of any amount paid on or after such date, for any period after such date, (a) as dues or membership fees (where the dues or fees of an active resident annual member are in excess of \$10 per year) to any social, athletic, or sporting club or organization; or (b) as initiation fees to such a club or organization, if such fees amount to more than \$10, or if the dues or membership fees (not including initiation fees) of an active resident annual member are in excess of \$10 per year; such taxes to be paid by the person paying such dues or fees: *Provided*, That there shall be exempted from the provisions of this section all amounts paid as dues or fees to a fraternal society, order, or association, operating under the lodge system. In the case of life memberships a life member shall pay annually, at the time for the payment of dues by active resident annual members, a tax equivalent to the tax upon the amount paid by such a member, but shall pay no tax upon the amount paid for life membership.

*Exempt
Dues*

*Collection
of Tax*

Sec. 802. That every person (a) receiving any payments for such admission, dues, or fees shall collect the amount of the tax imposed by section 800 or 801 from the person making such payments, or (b) admitting any person free to any place for admission to which a charge is made, shall collect the amount of the tax imposed by section 800 from the person so admitted. Every club or organization having life members, shall collect from such members the amount of the tax imposed by section 801. In all the above cases returns and payments of the amount so collected shall be made at the same time and in the same manner as provided in section 502.

Title IX.—Excise Taxes

Summary

(Effective day after passage of Act unless otherwise stated)

***TAXES ON FOLLOWING ARTICLES SOLD OR LEASED ARE TO BE PAID BY THE PERSON LIABLE FOR THE TAX ON THE SELLING PRICE OR RENTAL IN LIEU OF TAX IMPOSED BY REVENUE ACT OF 1917. (SEC. 900.)**

	<u>T A X</u>
AUTOMATIC SLOT-DEVICE MACHINES:	
Vending	5%
Weighing	10%
If operated for profit by manufacturer, producer or importer, for each machine, of the fair market value thereof—	
In the case of Vending Machines	5%
In the case of Weighing Machines	10%
AUTOMOBILE TRUCKS AND AUTOMOBILE WAGONS, (including tires, inner tubes, parts and accessories, sold on or in connection therewith)	3%
AUTOMOBILES AND MOTOR CYCLES, other than above (including tires, inner tubes, parts and accessories sold on or in connection therewith) except tractors	5%

*Every person liable for tax imposed by Sections 900, 902 or 906 shall make monthly returns under oath in duplicate and pay taxes to the collector for the district in which principal place of business is located, under regulations of the Commissioner. Tax shall be due at time for filing return. (Sec. 903.)

Where manufacturer, producer or importer of articles listed under Sec. 900 customarily sells both at wholesale and at retail, the tax in the case of articles sold at retail shall be computed on the price for which such articles are sold by him at wholesale. (Sec. 900.)

Where manufacturer, producer or importer selling, leasing or licensing articles listed under Sec. 900 or any person leases or licenses a positive motion-picture film containing a picture ready for projection at less than fair market price so as to benefit the manufacturer or any person interested in the business, or with intent to cause such benefit, the sale or lease price shall be taken as the amount which would have been received if sold, leased or licensed at the fair market price. (Sec. 901.)

BOATS, YACHTS AND MOTOR BOATS not designed for trade, fishing or national defense, and PLEASURE BOATS AND PLEASURE CANOES, if sold for more than \$15	10%
CAMERAS, weighing not more than 100 lbs.	10%
CANDY	5%
CHEWING GUM, or substitutes therefor	3%
CIGAR OR CIGARETTE HOLDERS AND PIPES, composed wholly or in part of meerschaum or amber	10%
FANS, Portable Electric	5%
FILMS AND PLATES (Photographic) except Moving Picture Films	5%
*FILMS (Positive Moving Picture) containing a picture ready for projection:	
Where leased or licensed for exhibition by lessor or licensor of such films. (Sec. 906)—of total rental earned during preceding month	5%
If exhibited by owner for profit of fair rental or license value	5%
*Tax is effective May 1, 1919, and is in lieu of tax imposed by Revenue Act of 1917. If bona fide contract was made prior to December 6, 1918 for lease or license of film, after this tax takes effect, not permitting adding of this tax to amount to be paid on such contract, lessee or licensee shall pay balance of tax due. (Sec. 906.)	
FIREARMS, SHELLS AND CARTRIDGES, except those sold for use by U. S., any State, Territory or possession of the U. S., any political subdivision thereof, the District of Columbia, or any foreign country, while engaged against the German Government in the present war	10%
FURS	
Articles made out of fur on the pelt or hide, or articles of which such fur is the component material of chief value	10%
HUMIDORS AND SMOKING STANDS	10%
HUNTING AND SHOOTING GARMENTS AND RIDING HABITS	10%

	<u>T A X</u>
KNIVES, (DIRK), DAGGERS, SWORD CANES AND STILETTOS	100%
KNIVES, Hunting and Bowie	10%
KNUCKLES, Brass or Metallic	100%
LIVERIES AND LIVERY BOOTS AND HATS	10%
PIANOS, ORGANS (other than pipe organs), PIANO PLAYERS, GRAPHAPHONES, PHONOGRAPHS, TALKING MACHINES, MUSIC BOXES AND RECORDS used in connection therewith or with any musical instrument	5%
SPORTING GOODS, (including tennis rackets, nets, racket covers and presses, skates, snowshoes, skis, toboggans, canoe paddles and cushions, polo mallets, baseball bats, gloves, masks, protectors, shoes and uniforms, football helmets, harness and goals, basket-ball goals and uniforms, golf bags and clubs, lacrosse sticks, balls of all kinds, fishing rods and reels, billiard and pool tables, chess and checker boards and pieces, dice, games and parts of games (except playing cards and children's toys and games), and all similar articles commonly or commercially known as sporting goods	10%
STATUARY, SCULPTURE AND PAINTINGS, ART PORCELAINS AND BRONZES sold by person other than artist (except when sold to an educational institution or public art museum). (Sec. 902.)	10%
THERMOS AND THERMOSTATIC BOTTLES, CARAFES, JUGS, or other thermostatic containers	5%
TIRES, Inner Tubes, Parts or Accessories, for any articles listed under the headings "Automobile Trucks, etc." and "Automobiles and Motor Cycles, etc.," when sold to any person other than a manufacturer or producer	5%
TOILET SOAPS AND POWDERS	3%
YACHTS AND MOTOR BOATS. (See Boats.)	

***WHEN SOLD BY OR FOR A DEALER OR HIS ESTATE FOR CONSUMPTION OR USE, TAXES ON THE FOLLOWING ARTICLES ARE TO BE PAID BY THE PURCHASER TO VENDOR AT TIME OF SALE ON SO MUCH OF THE AMOUNT PAID THEREFOR AS EXCEEDS THE PRICE BELOW SPECIFIED. (Sec. 904-a).**

(Effective May 1, 1919, unless otherwise stated)

	<u>T A X</u>
BOOTS, SHOES, PUMPS AND SLIPPERS, men's, women's, misses' and boys', (not including shoes or appliances made to order for persons having a crippled or deformed foot or ankle), in excess of \$10.00 per pair	10%
CAPS, men's and boys', in excess of \$2.00	10%
CARPETS AND RUGS, including fiber, except imported and American rugs made principally of wool, in excess of \$5.00 per square yard	10%
FANS, in excess of \$1.00	10%
HATS, men's and boys', in excess of \$5.00	10%
HATS, BONNETS AND HOODS, women's and misses', in excess of \$15.00	10%
HOSE OR STOCKINGS, Silk, men's and boys', in excess of \$1.00	10%
HOSE OR STOCKINGS, silk, women's and misses', in excess of \$2.00	10%
HOUSE OR SMOKING COATS OR JACKETS, and Bath or Lounging Robes, in excess of \$7.50	10%

***Tax not applicable to articles listed under "Fans," "Lighting Fixtures," "Picture Frames," "Purses," etc., "Trunks," "Umbrellas," etc., and "Valises," etc., if made or ornamented, mounted, or fitted with precious metals or imitations thereof or ivory; nor to liveries, livery boots and hats, nor to hunting and shooting garments and riding habits; or any article made of fur on the hide or pelt, or of which such fur is the component material of chief value. (Sec. 904-b.)**

Tax to be paid by purchaser to vendor, and returned and paid to the United States by such vendor as provided in Sec. 502. (Sec. 904-c.)

	<u>T A X</u>
KIMONOS, PETTICOATS AND WAISTS, in excess of \$15.00	10%
LIGHTING FIXTURES, portable, including Lamps of all kinds and Lamp Shades, in excess of \$25.00	10%
NECKTIES AND NECKWEAR, men's and boys', in excess of \$2.00	10%
PAJAMAS, NIGHT GOWNS AND UNDERWEAR, men's, women's, misses' and boys', in excess of \$5.00	10%
PICTURE FRAMES, in excess of \$10.00	10%
PURSES, POCKETBOOKS, SHOPPING AND HAND BAGS, in excess of \$7.50	10%
SHIRTS, men's, in excess of \$3.00	10%
TRUNKS, in excess of \$50.00	10%
UMBRELLAS, PARASOLS, AND SUN SHADES, in excess of \$4.00	10%
VALISES, TRAVELING BAGS, SUIT CASES, HAT BOXES USED BY TRAVELLERS, AND FITTED TOILET CASES, in excess of \$25.00	10%
WAISTCOATS, men's, sold separately from suits, in excess of \$5.00	10%

***JEWELRY (effective April 1, 1919)**

Real or imitation; pearls, precious and semi-precious stones and imitations thereof; articles made of or ornamented, mounted or fitted with precious metals or imitations thereof or ivory (not including surgical instruments), watches, clocks, opera glasses, lorgnettes, marine glasses, field glasses and binoculars, sold for consumption or use (in lieu of tax imposed by Act of October 3, 1917) on selling price. (Sec. 905.) 5%

*The seller shall make returns, in duplicate, under regulations prescribed by the Commissioner, and pay the taxes imposed to the collector for the district in which is located the principal place of business. (Sec. 905.)
Tax shall be due at time fixed for filing return. (Sec. 905.)

****TOILET ARTICLES**, perfumes, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, tooth and mouth washes, dentifrices, tooth pastes, aromatic cachous, toilet powders (other than soap powders) or any similar substance, article, or preparation, however called, which are used or applied or intended for use for toilet purposes, on selling price, per each 25c. or fraction thereof. (In lieu of tax imposed by Act of October 3, 1917.) (Sec. 907-a)

\$.01

****PATENT MEDICINES**, pills, tablets, powders, tinctures, troches or lozenges, syrups, medicinal cordials or bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, waters (except those taxed under Sec. 628) essences, spirits, oils and other medicinal preparations, compounds or compositions (not including serums and antitoxins and vaccines and bacterines which are not advertised to the general lay public, nor medicinal preparations sold by a physician attending a patient) and other patent or proprietary medicines or remedies, on selling price, per each 25c. or fraction thereof. (In lieu of tax imposed by Act of October 3, 1917.) (Sec. 907-a)

.01

****Tax** shall be collected, in the Commissioner's discretion, either by (1) stamp affixed to article by vendor, cost of which shall be reimbursed to vendor by purchaser, or (2) by payment to the vendor by purchaser at time of sale, the taxes so collected being returned and paid to United States by vendor. (Sec. 907-b.)

Text of Law.—Title IX

SEC. 900. That there shall be levied, assessed, collected, and paid, upon the following articles sold or leased by the manufacturer, producer, or importer, a tax equivalent to the following percentages of the price for which so sold or leased—

*Automobiles,
Trucks,
Etc.*

(1) Automobile trucks and automobile wagons, (including tires, inner tubes, parts, and accessories therefor, sold on or in connection therewith or with the sale thereof), 3 per centum;

(2) Other automobiles and motorcycles, (including tires, inner tubes, parts, and accessories therefor, sold on or in con-

nection therewith or with the sale thereof), except tractors, 5 per centum;

(3) Tires, inner tubes, parts, or accessories, for any of the articles enumerated in subdivision (1), or (2) sold to any person other than a manufacturer or producer of any of the articles enumerated in subdivision (1), or (2) 5 per centum;

*Tires and
Inner Tubes*

(4) Pianos, organs (other than pipe organs), piano players, graphophones, phonographs, talking machines, music boxes, and records used in connection with any musical instrument, piano player, graphophone, phonograph, or talking machine, 5 per centum;

*Pianos and
Musical In-
struments*

(5) Tennis rackets, nets, racket covers and presses, skates, snowshoes, skis, toboggans, canoe paddles and cushions, polo mallets, baseball bats, gloves, masks, protectors, shoes and uniforms, football helmets, harness and goals, basket-ball goals and uniforms, golf bags and clubs, lacrosse sticks, balls of all kinds, including baseballs, footballs, tennis, golf, lacrosse, billiard and pool balls, fishing rods and reels, billiard and pool tables, chess and checker boards and pieces, dice, games and parts of games (except playing cards and children's toys and games), and all similar articles commonly or commercially known as sporting goods, 10 per centum;

*Sporting
Goods,
Games and
Toys*

(6) Chewing gum or substitutes therefor, 3 per centum;

*Chewing Gum
Cameras*

(7) Cameras weighing not more than 100 pounds, 10 per centum;

(8) Photographic films and plates, other than moving-picture films, 5 per centum;

Films

(9) Candy, 5 per centum;

*Candy
Firearms
and
Cartridges*

(10) Firearms, shells, and cartridges, except those sold for the use of the United States, any State, Territory, or possession of the United States, any political subdivision thereof, the District of Columbia, or any foreign country while engaged against the German Government in the present war, 10 per centum;

(11) Hunting and bowie knives, 10 per centum;

*Bowie Knives
Daggers, etc.*

(12) Dirk knives, daggers, sword canes, stilletos, and brass or metallic knuckles, 100 per centum;

(13) Portable electric fans, 5 per centum;

*Electric Fans
Thermos
Bottles*

(14) Thermos and thermostatic bottles, carafes, jugs, or other thermostatic containers, 5 per centum;

*Cigarette
Holders,
Pipes, etc.*

(15) Cigar or cigarette holders and pipes, composed wholly or in part of meerschaum or amber, humidors, and smoking stands, 10 per centum;

(16) Automatic slot-device vending machines, 5 per centum, and automatic slot-device weighing machines, 10 per centum; if the manufacturer, producer, or importer of any such machine operates it for profit, he shall pay a tax in respect to each such machine put into operation equivalent to 5 per centum of its fair market value in the case of a vending machine, and 10 per centum of its fair market value in the case of a weighing machine;

*Automatic
Slot Device
Machines*

- Liveries, etc.* (17) Livery and livery boots and hats, 10 per centum;
Hunting (18) Hunting and shooting garments and riding habits,
Garments 10 per centum;
Articles (19) Articles made of fur on the hide or pelt, or of which
Made of Fur any such fur is the component material of chief value, 10
 per centum;
Yachts, etc. (20) Yachts and motor boats not designed for trade, fish-
 ing or national defense; and pleasure boats and pleasure canoes
 if sold for more than \$15, 10 per centum; and
Toilet (21) Toilet soaps and toilet soap powders, 3 per centum.
Soaps

*Wholesale
and Retail
Sellers*

If any manufacturer, producer, or importer of any of the articles enumerated in this section customarily sells such articles both at wholesale and at retail, the tax in the case of any article sold by him at retail shall be computed on the price for which like articles are sold by him at whole-
sale.

The taxes imposed by this section shall, in the case of any article in respect to which a corresponding tax is imposed by section 600 of the Revenue Act of 1917, be in lieu of such tax.

*Articles Sold
or Leased
at less than
Fair Market
Price*

SEC. 901. That if any person manufactures, produces or imports any article enumerated in section 900, or leases or licenses for exhibition any positive motion-picture film containing a picture ready for projection, and, whether through any agreement, arrangement, or understanding, or otherwise, sells, leases or licenses such article at less than the fair market price obtainable therefor, either (a) in such manner as directly or indirectly to benefit such person or any person directly or indirectly interested in the business of such person, or (b) with intent to cause such benefit, the amount for which such article is sold, leased or licensed shall be taken to be the amount which would have been received from the sale, lease or license of such article if sold, leased or licensed at the fair market price.

*Sculpture,
Paintings,
Statuary,
etc.*

SEC. 902. That there shall be levied, assessed, collected, and paid upon sculpture, paintings, statuary, art porcelains, and bronzes, sold by any person other than the artist, a tax equivalent to 10 per centum of the price for which so sold. This section shall not apply to the sale of any such article to an educational institution or public art museum.

*Monthly
Returns*

SEC. 903. That every person liable for any tax imposed by section 900, 902, or 906, shall make monthly returns under oath in duplicate and pay the taxes imposed by such sections to the collector for the district in which is located the principal place of business. Such returns shall contain such information and be made at such times and in such manner as the Commissioner, with the approval of the Secretary, may by regulations prescribe.

The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax a penalty of 5 per centum, together with interest at the rate of 1 per centum for each full month, from the time when the tax became due.

*Payment
of Tax*

SEC. 904. (a) That on and after May 1, 1919, there shall be levied, assessed, collected, and paid a tax equivalent to 10 per centum of so much of the amount paid for any of the following articles as is in excess of the price hereinafter specified as to each such article, when such article is sold by or for a dealer or his estate on or after such date for consumption or use—

*Tax upon
Miscellaneous
Articles*

(1) Carpets and rugs, including fiber, except imported and American rugs made principally of wool, on the amount in excess of \$5 per square yard;

(2) Picture frames, on the amount in excess of \$10 each;

(3) Trunks, on the amount in excess of \$50 each;

(4) Valises, traveling bags, suit cases, hat boxes used by travelers, and fitted toilet cases, on the amount in excess of \$25 each;

(5) Purses, pocketbooks, shopping and hand bags, on the amount in excess of \$7.50 each;

(6) Portable lighting fixtures, including lamps of all kinds and lamp shades, on the amount in excess of \$25 each;

(7) Umbrellas, parasols, and sun shades, on the amount in excess of \$4 each;

(8) Fans, on the amount in excess of \$1 each;

(9) House or smoking coats or jackets, and bath or lounging robes, on the amount in excess of \$7.50 each;

(10) Men's waistcoats, sold separately from suits, on the amount in excess of \$5 each;

(11) Women's and misses' hats, bonnets, and hoods, on the amount in excess of \$15 each;

(12) Men's and boys' hats, on the amount in excess of \$5 each;

(13) Men's and boys' caps, on the amount in excess of \$2 each;

(14) Men's, women's, misses', and boys' boots, shoes, pumps, and slippers, not including shoes or appliances made to order for any person having a crippled or deformed foot or ankle, on the amount in excess of \$10 per pair;

(15) Men's and boys' neckties and neckwear, on the amount in excess of \$2 each;

(16) Men's and boys' silk stockings or hose, on the amount in excess of \$1 per pair;

(17) Women's and misses' silk stockings or hose, on the amount in excess of \$2 per pair;

(18) Men's shirts, on the amount in excess of \$3 each;

(19) Men's, women's, misses', and boys' pajamas, night gowns, and underwear, on the amount in excess of \$5 each; and

(20) Kimonos, petticoats, and waists, on the amount in excess of \$15 each.

(b) The tax imposed by this section shall not apply (1) to any article enumerated in paragraphs (2) to (8), both inclusive, of subdivision (a), if such article is made of or ornamented, mounted, or fitted with, precious metals or imitations thereof or ivory, or (2) to any article made of fur on the hide or pelt, or of which any such fur is the component material of chief value, or to (3) any article enumerated in subdivision (17) or (18) of section 900.

(c) The taxes imposed by this section shall be paid by the purchaser to the vendor at the time of the sale and shall be collected, returned, and paid to the United States by such vendor in the same manner as provided in section 502.

*Jewelry,
Clocks, etc.*

SEC. 905. That on and after April 1, 1919, there shall be levied, assessed, collected, and paid (in lieu of the tax imposed by subdivision (e) of section 600 of the Revenue Act of 1917) upon all articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical instruments); watches; clocks; opera glasses; lorgnettes; marine glasses; field glasses; and binoculars; upon any of the above when sold by or for a dealer or his estate for consumption or use, a tax equivalent to 5 per centum of the price for which so sold.

Returns

Every person selling any of the articles enumerated in this section shall make returns under oath in duplicate (monthly or quarterly as the Commissioner, with the approval of the Secretary, may prescribe) and pay the taxes imposed in respect to such articles by this section to the collector for the district in which is located the principal place of business. Such returns shall contain such information and be made at such times and in such manner as the Commissioner, with the approval of the Secretary, may by regulations prescribe.

*Payment
of Tax*

The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax a penalty of 5 per centum, together with interest at the rate of 1 per centum for each full month, from the time when the tax became due.

*Lessors of
Moving
Picture
Films*

SEC. 906. That on and after the 1st day of May, 1919, any person engaged in the business of leasing or licensing for exhibition positive motion-picture films containing pictures ready for projection shall pay monthly an excise tax in respect to carrying on such business equal to 5 per centum of the total rentals earned from each such lease or license during the preceding month. If a person owning such a film exhibits it for profit he shall pay a tax equivalent to 5 per centum of

the fair rental or license value of such film at the time and place where and for the period during which exhibited. If any such person has, prior to December 6, 1918, made a bona fide contract with any person for the lease or licensing, after the tax imposed by this section takes effect, of such a film for exhibition for profit, and if such contract does not permit the adding of the whole of the tax imposed by this section to the amount to be paid under such contract, then the lessee or licensee shall, in lieu of the lessor or licensor, pay so much of such tax as is not so permitted to be added to the contract price. The tax imposed by this section shall be in lieu of the tax imposed by subdivision (c) and (d) of section 600 of the Revenue Act of 1917.

SEC. 907. (a) That on and after May 1, 1919, there shall be levied, assessed, collected and paid (in lieu of the taxes imposed by subdivisions (g) and (h) of section 600 of the Revenue Act of 1917) a tax of 1 cent for each 25 cents or fraction thereof of the amount paid for any of the following articles when sold by or for a dealer or his estate on or after such date for consumption or use:

(1) Perfumes, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, tooth and mouth washes, dentifrices, tooth pastes, aromatic cachous, toilet powders (other than soap powders), or any similar substance, article, or preparation by whatsoever name known or distinguished, any of the above which are used or applied or intended to be used or applied for toilet purposes; *Toilet Articles*

(2) Pills, tablets, powders, tinctures, troches or lozenges, sirups, medicinal cordials or bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, waters (except those taxed under section 628 of this Act); essences, spirits, oils, and other medicinal preparations, compounds, or compositions (not including serums and antitoxins), upon the amount paid for any of the above as to which the manufacturer or producer claims to have any private formula, secret, or occult art for making or preparing the same, or has or claims to have any exclusive right or title to the making or preparing the same, or which are prepared, uttered, vended, or exposed for sale under any letters patent, or trade-mark, or which (if prepared by any formula, published or unpublished) are held out or recommended to the public by the makers, vendors, or proprietors thereof as proprietary medicines or medicinal proprietary articles or preparations, or as remedies or specifics for any disease, diseases, or affection whatever affecting the human or animal body: *Provided*, That the provisions of this section shall not apply to the sale of vaccines and bacterines which are not advertised to the general lay public, nor to the sale by a physician in personal attendance upon a patient of medicinal preparations not so advertised. *Patent Medicines*

*Collection
of Tax*

(b) The taxes imposed by this section shall be collected by whichever of the following methods the Commissioner may deem expedient: (1) by stamp affixed to such article by the vendor, the cost of which shall be reimbursed to the vendor by the purchaser; or (2) by payment to the vendor by the purchaser at the time of the sale, the taxes so collected being returned and paid to the United States by such vendor in the same manner as provided in section 502.

Title X.—Special Taxes*

The following taxes unless otherwise stated, are effective January 1, 1919, and are in lieu of taxes imposed by the Revenue Act of 1916:

Summary

T A X

AUTOMOBILES, Passenger

Persons in business of operating or renting passenger automobiles for hire (*Sec. 1001.*)

On each machine with seating capacity of over

2 and not over 7

\$10.00

Over 7

20.00

BOATS, SEE "YACHTS"

BOWLING ALLEYS AND BILLIARD ROOMS

Per each alley or table, to be paid by proprietor (*Sec. 1001*), per annum

10.00

"Bowling alley and billiard room" includes every building or place where bowls are thrown or games of billiards or pool are played, except private homes. (*Sec. 1001.*)

BREWERS, DISTILLERS, WHOLESALE AND RETAIL LIQUOR DEALERS, WHOLESALE AND RETAIL DEALERS IN MALT LIQUORS, AND MANUFACTURERS OF STILLS, as defined in *Sec. 3244* as amended by *Sec. 3247* of the R. S. carrying on such business in a State, Territory, or District of the U. S. contrary to laws of such State, Territory or District, or in any place therein in which the carrying on of such business is prohibited by local or municipal law, in addition to all other taxes, special or otherwise. (*Sec. 1001*)

1,000.00

Payment imposed by this subdivision shall not be held to exempt any person, from penalty or punishment, provided for by the laws of any State, Territory, or District, for carrying on such business in such place, nor to authorize the commencement or continuance of such business contrary to laws of such State, Territory or District or in places prohibited by local or municipal law. (*Sec. 1001.*)

*Any person who carries on any business or occupation for which a special tax is imposed by Sections 1000, 1001 or 1002, without having paid the special tax therein provided, shall also be subject to a penalty of not more than \$1,000 or imprisonment for not more than one year, or both. (*Sec. 1005.*)

BROKERS**T A X**

Custom House (<i>Sec. 1001</i>), per annum	\$50.00
Pawn (<i>Sec. 1001</i>), per annum	100.00
Ship (<i>Sec. 1001</i>), per annum	50.00

Includes persons whose business, as broker, is to negotiate freights and other business for owners of vessels or for shippers, consignors or consignees of freight carried by vessel.

STOCK AND PRODUCE, defined as persons engaged in business of purchasing or selling stocks, bonds, exchange, bullion, coined money, bank notes, promissory notes, other securities, produce or merchandise for others (*Sec. 1001*), per annum 50.00

Brokers who are members of a stock exchange, produce exchange, board of trade or similar organization where produce or merchandise is sold, in addition must pay (*Sec. 1001*), per annum:

If the average value during preceding year ending June 30 of a seat or membership in such exchange or organization was \$2,000 or over, but not over \$5,000 100.00

If such value was over \$5,000 150.00

***CAPITAL STOCK TAX**, with respect to doing business:

Domestic Corporations

On so much of the fair average value of the capital stock for the preceding year ending June 30, as exceeds \$5,000 (*Sec. 1000*), for each \$1,000, per annum 1.00

*Tax is effective July 1, 1918, and does not apply in any year to corporations not engaged in business (or in the case of foreign corporations not engaged in business in the U. S.) during preceding year ending June 30; nor to corporations exempt from Federal income tax.

In estimating the value of capital stock, surplus and undivided profits shall be included.

In computing the tax an insurance company shall not include deposits and reserve funds required by law or contract to be maintained or held for the protection of or payment to or apportionment among policyholders.

In the case of domestic mutual insurance companies, tax shall be on the sum of the surplus or contingent reserves maintained for the general use of the business, and reserves, the net additions to which are included in net income under Title II, as of the close of the preceding accounting period, used for making income tax return. (*Sec. 1000*.)

Foreign Corporations

T A X

On the average amount of capital employed in the transaction of business in U. S. during the preceding year ending June 30 (*Sec. 1000*), for each \$1,000, per annum \$1.00

In the case of foreign mutual insurance companies, tax shall be on the same proportion of the sum of such surplus and reserves which the reserve fund upon business transacted within U. S. is of the total reserve upon all business transacted as of the close of the preceding accounting period used for making income tax return.

CIGARS, CIGARETTES AND TOBACCO, Manufacturers of, per annum,

In arriving at amount of special tax to be paid, each person manufacturing more than one of the classes of articles specified shall be deemed a manufacturer of each class separately. (*Sec. 1002.*)

CIGARS

Where annual sales do not exceed 50,000 cigars 4.00

Where annual sales exceed 50,000 and do not exceed 100,000 cigars 6.00

Where annual sales exceed 100,000 and do not exceed 200,000 cigars 12.00

Where annual sales exceed 200,000 and do not exceed 400,000 cigars 24.00

Where annual sales exceed 400,000 cigars 24.00

On excess over 400,000 cigars, in addition, per 1,000 cigars or fraction. (*Sec. 1002*), .10

CIGARETTES

On manufacturers of cigarettes, including small cigars, weighing not over 3 lbs. per 1,000 (*Sec. 1002*), per 10,000 cigarettes or fraction .06

TOBACCO

Where annual sales do not exceed 50,000 lbs. 6.00

Where annual sales exceed 50,000 lbs. and do not exceed 100,000 lbs. 12.00

	<u>T A X</u>
Where annual sales exceed 100,000 lbs. and do not exceed 200,000 lbs.	\$24.00
Where annual sales exceed 200,000 lbs.	24.00
On excess over 200,000 lbs. in addition, per 1,000 lbs. or fraction. (Sec. 1002),	.16

CIRCUS

Proprietors of (Sec. 1001), per annum 100.00

"Circus" includes every building, space, tent or area, where feats of horsemanship or acrobatic sports or theatrical performances, not otherwise provided for under other headings are exhibited. (Sec. 1001).

Special taxes paid in one State, Territory, or the District of Columbia shall not exempt exhibitions from the tax in another State, Territory or District of Columbia; but only one special tax shall be imposed for the exhibitions within any one State, Territory or the District of Columbia. (Sec. 1001.)

EXHIBITIONS (See Public Exhibitions).

GROSS SALES TAX (See Retail Merchandise).

LIQUOR DISTILLERS (See Brewers).

MOTOR BOATS (See Yachts).

MUSEUMS (See Theatres).

MUSIC HALLS (See Theatres).

OPIUM AND DERIVATIVES (Sec. 1006)

Importers, manufacturers, producers or compounders, per annum 24.00

Physicians, dentists, veterinary surgeons, and other practitioners lawfully entitled to distribute or administer any of the products listed in the course of their professional practice (Sec. 1006), per annum 3.00

Retail dealers, per annum 6.00

Wholesale dealers, per annum 12.00

Any person, on or before July 1, of each year importing, manufacturing, producing, compounding, selling, dealing in, dispensing or giving away opium or coca leaves, or any compound, manufacture, salt, derivative or preparation thereof, are subject to tax and shall register with the collector, his name or style, place of business and pay the tax. Persons engaged on January 1, 1919 or who between that date and the passage of the Act, engage in any such activities, shall within thirty days after passage register and pay proportionate part of tax for the period ending June 30, 1919. Persons who first engage in any such activities after the passage of the Act shall immediately register and pay proportionate part of the tax for the period ending on the following June 30. (Sec. 1006.)

No employee of any person who has registered and paid special tax as herein described acting within the scope of his employment need register and pay special tax provided by this Section. (Sec. 1006.)

OPIMUM AND DERIVATIVES

T A X

On opium, coca leaves, any compound, salt, derivative, or preparation thereof, produced in or imported into U. S. and sold or removed for consumption or sale (*Sec. 1006*), per ounce or fraction

\$.01

Tax is in addition to import duties, and shall be paid by importer, manufacturer, producer, or compounder, evidenced by appropriate stamps so affixed to bottle or other container as to securely seal the stopper or wrapper thereof. (*Sec. 1006.*)

It shall be unlawful for a person to purchase, sell, dispense or distribute any of the above drugs except in or from the original stamped package. The absence of appropriate tax-paid stamps on packages is prima facie evidence of the violation of this section by the person in whose possession the same are found. (*Sec. 1006.*) (*Reports.*)

For other provisions relating to Opium, etc., see *Secs. 1006, 1007, 1008, 1009.*

PASSENGER AUTOMOBILES (*See Automobiles*)

PUBLIC EXHIBITIONS, Proprietors of (*Sec. 1001*),
per annum

15.00

Includes all public exhibitions or shows for money not elsewhere listed.

A special tax paid in one State, Territory, or District of Columbia shall not exempt exhibitions from tax in another State, Territory, or the District of Columbia; but only one special tax shall be required for exhibitions within any one State, Territory or the District of Columbia.

Tax is not applicable to Chautauquas, lecture lyceums, agricultural or industrial fairs, or exhibitions held under the auspices of religious or charitable associations.

An aggregation of entertainments, known as a "street fair," shall not pay a larger tax than \$100 in any State, Territory, or the District of Columbia. (*Sec. 1001.*)

RIDING ACADEMIES, Proprietors of (*Sec. 1001*), per
annum

100.00

Includes every building, space, tent or area where a charge is made for instruction in horsemanship or for facilities for its practice. (*Sec. 1001.*)

SHOOTING GALLERIES, Proprietors of (*Sec. 1001*),
per annum

20.00

Includes every building, space, tent or area where a charge is made for the discharge of fire-arms, at any form of target. (*Sec. 1001.*)

THEATRES, MUSEUMS AND CONCERT HALLS

Proprietors of (where charge for admission is made). (*Sec. 1001*), per annum

If seating capacity is

Not over 250

50.00

Over 250 and not over 500

100.00

	T A X
Over 500 and not over 800	\$150.00
Over 800	200.00

"Theatre" means every edifice used for dramatic, operatic or other representations, plays or performances, for which entrance money is received, not including halls or armories rented or used occasionally for concert or theatrical representations, except edifices owned by religious, educational or charitable institutions, societies or organizations where all proceeds inure exclusively to their benefit or to that of persons in military or naval forces of the U. S. In cities, towns or villages of 5,000 or less the amount of tax shall be one-half of that above stated.

Whenever such edifice is under lease at time tax is due, the lessee shall pay the tax except where otherwise stipulated between the parties to the lease.

TOBACCO (*See Cigars, Etc.*)

YACHTS, MOTOR BOATS, ETC.

On the use of yachts, pleasure boats, power boats, and sailing boats, of over 5 net tons, and motor boats with fixed engines, not used exclusively for trade, fishing or national defense or not built according to plans and specifications approved by the Navy Department (*Sec. 1003*), per annum:

Length not over 50 feet, per foot	1.00
Length over 50 feet and not over 100 feet, per foot	2.00
Length over 100 feet, per foot	4.00

Motor Boats of not over 5 net tons with fixed engines, per annum	10.00
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Tax is in lieu of tax imposed by the Revenue Act of 1917 and is due 60 days after passage of Act and thereafter on July 1, of each year; and also at the time of purchase of a new boat by a user on date other than July 1. (*Sec. 1003.*)

In determining length, measurements of over-all length shall govern.

In case of the original purchase of a new boat on date other than July 1, or in case of tax taking effect 60 days after passage of this Act, the amount payable shall be the same number of twelfths of the amount of tax as number of calendar months (including month of sale or month in which is included the sixty-first day after the passage of this Act) remaining prior to the following July 1.

If tax imposed by *Sec. 603* of the Revenue Act of 1917 for fiscal year ending June 30, 1919, has been paid in respect to use of any boat, the amount so paid shall under regulations, be credited upon the first tax due under this section, or be refunded to the person paying the first tax imposed by this section. (*Sec. 1003.*)

If corresponding tax imposed by *Section 407* of the Revenue Act of 1916 was not payable by stamp, amount paid thereunder for any period may be credited against the tax herein imposed. (*Sec. 1004.*)

Text of Law—Title X

SEC. 1000.(a) That on and after July 1, 1918, in lieu of the tax imposed by the first subdivision of section 407 of the Revenue Act of 1916—

(1) Every domestic corporation shall pay annually a special excise tax with respect to carrying on or doing business, equivalent to \$1 for each \$1,000 of so much of the fair average value of its capital stock for the preceding year ending June thirtieth as is in excess of \$5,000. In estimating the value of capital stock the surplus and undivided profits shall be included; *Capital Stock Tax*

(2) Every foreign corporation shall pay annually a special excise tax with respect to carrying on or doing business in the United States, equivalent to \$1 for each \$1,000 of the average amount of capital employed in the transaction of its business in the United States during the preceding year ending June thirtieth. *Foreign Corporations*

(b) In computing the tax in the case of insurance companies such deposits and reserve funds as they are required by law or contract to maintain or hold for the protection of or payment to or apportionment among policyholders shall not be included.

(c) The taxes imposed by this section shall not apply in any year to any corporation which was not engaged in business (or in the case of a foreign corporation not engaged in business in the United States) during the preceding year ending June 30, nor to any corporation enumerated in section 231. The taxes imposed by this section shall apply to mutual insurance companies, and in the case of every such domestic company the tax shall be equivalent to \$1 for each \$1,000 of the excess over \$5,000 of the sum of its surplus or contingent reserves maintained for the general use of the business and any reserves the net additions to which are included in net income under the provisions of Title II, as of the close of the preceding accounting period used by such company for purposes of making its income tax return: *When Tax not Applicable* *Provided*, That in the case of a foreign mutual insurance company the tax shall be equivalent to \$1 for each \$1,000 of the same proportion of the sum of such surplus and reserves, which the reserve fund upon business transacted within the United States is of the total reserve upon all business transacted, as of the close of the preceding accounting period used by such company for purposes of making its income tax return.

(d) Section 257 shall apply to all returns filed with the Commissioner for purposes of the tax imposed by this section.

SEC. 1001. That on and after January 1, 1919, there shall be levied, collected, and paid annually the following special taxes—

*Stock and
other
Brokers*

(1) Brokers shall pay \$50. Every person whose business it is to negotiate purchases or sales of stocks, bonds, exchange, bullion, coined money, bank notes, promissory notes, other securities, produce or merchandise, for others, shall be regarded as a broker. If a broker is a member of a stock exchange, or if he is a member of any produce exchange, board of trade, or similar organization, where produce or merchandise is sold, he shall pay an additional amount as follows: If the average value, during the preceding year ending June 30, of a seat or membership in such exchange or organization was \$2,000 or more but not more than \$5,000, \$100; if such value was more than \$5,000, \$150.

Pawnbrokers

(2) Pawnbrokers shall pay \$100. Every person whose business or occupation it is to take or receive, by way of pledge, pawn, or exchange, any goods, wares, or merchandise, or any kind of personal property whatever, as security for the repayment of money loaned thereon, shall be regarded as a pawnbroker.

Ship Brokers

(3) Ship brokers shall pay \$50. Every person whose business it is as a broker to negotiate freights and other business for the owners of vessels, or for the shippers or consignors or consignees of freight carried by vessels, shall be regarded as a ship broker.

*Customhouse
Brokers*

(4) Customhouse brokers shall pay \$50. Every person whose occupation it is, as the agent of others, to arrange entries and other customhouse papers, or transact business at any port of entry relating to the importation or exportation of goods, wares, or merchandise, shall be regarded as a customhouse broker.

*Theaters,
Museums,
etc.*

(5) Proprietors of theaters, museums, and concert halls, where a charge for admission is made, having a seating capacity of not more than two hundred and fifty, shall pay \$50; having a seating capacity of more than two hundred and fifty and not exceeding five hundred, shall pay \$100; having a seating capacity exceeding five hundred and not exceeding eight hundred, shall pay \$150; having a seating capacity of more than eight hundred, shall pay \$200. Every edifice used for the purpose of dramatic or operatic or other representations, plays, or performances, for admission to which entrance money is received, not including halls or armories rented or used occasionally for concerts or theatrical representations, and not including edifices owned by religious, educational or charitable institutions, societies or organizations where all the proceeds from admissions inure exclusively to the benefit of such institutions, societies or organizations or exclusively to the benefit of persons in the military or naval forces of the United States, shall be regarded as a theater: *Provided*, That in cities, towns, or villages of five thousand inhabitants or less the amount of such payment shall be one-half of that above stated: *Provided further*, That whenever any such edifice is under lease at the time the tax

*Theater
Defined*

is due, the tax shall be paid by the lessee, unless otherwise stipulated between the parties to the lease.

(6) The proprietor or proprietors of circuses shall pay *Circuses*
\$100. Every building, space, tent, or area, where feats of horsemanship or acrobatic sports or theatrical performances not otherwise provided for in this section are exhibited shall be regarded as a circus: *Provided*, That no special tax paid in one State, Territory, or the District of Columbia shall exempt exhibitions from the tax in another State, Territory, or the District of Columbia, and but one special tax shall be imposed for exhibitions within any one State, Territory, or District.

(7) Proprietors or agents of all other public exhibitions or shows for money not enumerated in this section shall pay *Public Exhibitions*
\$15: *Provided*, That a special tax paid in one State, Territory, or the District of Columbia shall not exempt exhibitions from the tax in another State, Territory, or the District of Columbia, and but one special tax shall be required for exhibitions within any one State, Territory, or the District of Columbia: *Provided further*, That this paragraph shall not apply to Chautauquas, lecture lyceums, agricultural or industrial fairs, or exhibitions held under the auspices of religious or charitable associations: *Provided further*, That an aggregation of entertainments, known as a street fair, shall not pay a larger tax than \$100 in any State, Territory, or in the District of Columbia.

(8) Proprietors of bowling alleys and billiard rooms shall pay *Bowling Alleys and Billiard Rooms*
\$10 for each alley or table. Every building or place where bowls are thrown or where games of billiards or pool are played, except in private homes, shall be regarded as a bowling alley or a billiard room, respectively.

(9) Proprietors of shooting galleries shall pay *Shooting Galleries*
\$20. Every building, space, tent, or area, where a charge is made for the discharge of firearms at any form of target shall be regarded as a shooting gallery.

(10) Proprietors of riding academies shall pay *Riding Academies*
\$100. Every building, space, tent, or area, where a charge is made for instruction in horsemanship or for facilities for the practice of horsemanship shall be regarded as a riding academy.

(11) Persons carrying on the business of operating or renting passenger automobiles for hire shall pay *Operation of Passenger Automobiles for Hire*
\$10 for each such automobile having a seating capacity of more than two and not more than seven, and **\$20** for each such automobile having a seating capacity of more than seven.

(12) Every person carrying on the business of a brewer, distiller, wholesale liquor dealer, retail liquor dealer, wholesale dealer in malt liquor, retail dealer in malt liquor, or manufacturer of stills, as defined in section 3244 as amended and section 3247 of the Revised Statutes, in any State, Territory, or District of the United States contrary to the laws of

such State, Territory, or District, or in any place therein in which carrying on such business is prohibited by local or municipal law, shall pay, in addition to all other taxes, special or otherwise, imposed by existing law or by this Act, \$1,000.

The payment of the tax imposed by this subdivision shall not be held to exempt any person from any penalty or punishment, provided for by the laws of any State, Territory, or District for carrying on such business in such State, Territory, or District, or in any manner to authorize the commencement or continuance of such business contrary to the laws of such State, Territory, or District, or in places prohibited by local or municipal law.

The taxes imposed by this section shall, in the case of persons upon whom a corresponding tax is imposed by section 407 of the Revenue Act of 1916, be in lieu of such tax.

*Tax on Sales
of Tobacco
Manufacturers*

SEC. 1002. That on and after January 1, 1919, there shall be levied, collected, and paid annually, in lieu of the taxes imposed by section 408 of the Revenue Act of 1916, the following special taxes, the amount of such taxes to be computed on the basis of the sales for the preceding year ending June 30—

Manufacturers of tobacco whose annual sales do not exceed fifty thousand pounds shall each pay \$6;

Manufacturers of tobacco whose annual sales exceed fifty thousand and do not exceed one hundred thousand pounds shall each pay \$12;

Manufacturers of tobacco whose annual sales exceed one hundred thousand and do not exceed two hundred thousand pounds shall each pay \$24;

Manufacturers of tobacco whose annual sales exceed two hundred thousand pounds shall each pay \$24, and at the rate of 16 cents per thousand pounds, or fraction thereof, in respect to the excess over two hundred thousand pounds;

*Manufacturers
of Cigars*

Manufacturers of cigars whose annual sales do not exceed fifty thousand cigars shall each pay \$4;

Manufacturers of cigars whose annual sales exceed fifty thousand and do not exceed one hundred thousand cigars shall each pay \$6;

Manufacturers of cigars whose annual sales exceed one hundred thousand and do not exceed two hundred thousand cigars shall each pay \$12;

Manufacturers of cigars whose annual sales exceed two hundred thousand and do not exceed four hundred thousand cigars shall each pay \$24;

Manufacturers of cigars whose annual sales exceed four hundred thousand cigars shall each pay \$24, and at the rate of 10 cents per thousand cigars, or fraction thereof, in respect to the excess over four hundred thousand cigars;

*Manufacturers
of Cigarettes*

Manufacturers of cigarettes, including small cigars weighing not more than three pounds per thousand, shall each pay at the rate of 6 cents for every ten thousand cigarettes, or fraction thereof.

In arriving at the amount of special tax to be paid under this section, and in the levy and collection of such tax, each person engaged in the manufacture of more than one of the classes of articles specified in this section shall be considered and deemed a manufacturer of each class separately.

*Persons
Deemed
Manufacturers*

SEC. 1003. That sixty days after the passage of this Act, and thereafter on July 1 in each year, and also at the time of the original purchase of a new boat by a user, if on any other date than July 1, there shall be levied, assessed, collected, and paid in lieu of the tax imposed by section 603 of the Revenue Act of 1917, upon the use of yachts, pleasure boats, power boats, and sailing boats, of over five net tons, and motor boats with fixed engines, not used exclusively for trade, fishing or national defense, or not built according to plans and specifications approved by the Navy Department, a special excise tax to be based on each yacht or boat, at rates as follows: Yachts, pleasure boats, power boats, motor boats with fixed engines, and sailing boats, of over five net tons, length not over fifty feet, \$1 for each foot; length over fifty feet and not over one hundred feet, \$2 for each foot; length over one hundred feet, \$4 for each foot; motor boats of not over five net tons with fixed engines, \$10.

*Tax on Use
of Yachts,
Pleasure and
Motor Boats*

In determining the length of such yachts, pleasure boats, power boats, motor boats with fixed engines, and sailing boats, the measurement of over-all length shall govern.

*Length
Determined*

In the case of a tax imposed at the time of the original purchase of a new boat on any other date than July 1, and in the case of the tax taking effect sixty days after the passage of this Act, the amount to be paid shall be the same number of twelfths of the amount of the tax as the number of calendar months (including the month of sale, or the month in which is included the sixty-first day after the passage of this Act, as the case may be) remaining prior to the following July 1.

New Boats

If the tax imposed by section 603 of the Revenue Act of 1917, for the fiscal year ending June 30, 1919, has been paid in respect to the use of any boat, the amount so paid shall under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, be credited upon the first tax due under this section in respect to the use of such boat, or be refunded to the person paying the first tax imposed by this section in respect to the use of such boat.

*Credit for
Tax Paid
under 1917
Act*

SEC. 1004. That if the tax imposed by section 407 or 408 of the Revenue Act of 1916, for the fiscal year ending June 30, 1919, has been paid by any person subject to the corresponding tax imposed by this title, collectors may issue a receipt in lieu of special tax stamp for the amount by which the tax under this title is in excess of that paid or payable and evidenced by stamp under the Revenue Act of 1916. Such receipt shall be posted as in the case of the special tax stamp, as provided by law, and with it, within the place of business of the taxpayer.

*Receipt
Issued*

If the corresponding tax imposed by section 407 of the Revenue Act of 1916 was not payable by stamp, the amount paid under such section for any period for which a tax is also imposed by this title may be credited against the tax imposed by this title.

*Penalty for
Non-
Payment*

SEC. 1005. That any person who carries on any business or occupation for which a special tax is imposed by sections 1000, 1001, or 1002, without having paid the special tax therein provided, shall, besides being liable for the payment of such special tax, be subject to a penalty of not more than \$1,000 or to imprisonment for not more than one year or both.

SEC. 1006. That section 1 of the Act of Congress approved December 17, 1914, is hereby amended to read as follows:

*Tax on
Importer,
Manufacturer
or
Distributor
of Opium,
Coca Leaves
or Derivatives*

"SECTION 1. That on or before July 1 of each year every person who imports, manufactures, produces, compounds, sells, deals in, dispenses, or gives away opium or coca leaves, or any compound, manufacture, salt, derivative, or preparation thereof, shall register with the collector of internal revenue of the district his name or style, place of business and place or places where such business is to be carried on, and pay the special taxes hereinafter provided;

Registration

"Every person who on January 1, 1919, is engaged in any of the activities above enumerated, or who between such date and the passage of this Act first engages in any of such activities, shall within 30 days after the passage of this Act make like registration, and shall pay the proportionate part of the tax for the period ending June 30, 1919; and

"Every person who first engages in any of such activities after the passage of this Act shall immediately make like registration and pay the proportionate part of the tax for the period ending on the following June 30th;

*Amount
of Tax*

"Importers, manufacturers, producers, or compounders, \$24 per annum; wholesale dealers, \$12 per annum; retail dealers, \$6 per annum; physicians, dentists, veterinary surgeons, and other practitioners lawfully entitled to distribute, dispense, give away, or administer any of the aforesaid drugs to patients upon whom they in the course of their professional practice are in attendance, shall pay \$3 per annum.

*Importer,
Manufacturer
or
Producer
Defined*

"Every person who imports, manufactures, compounds, or otherwise produces for sale or distribution any of the aforesaid drugs shall be deemed to be an importer, manufacturer, or producer.

*Wholesale
Dealer
Defined*

"Every person who sells or offers for sale any of said drugs in the original stamped packages, as hereinafter provided, shall be deemed a wholesale dealer.

*Retail
Dealer
Defined*

"Every person who sells or dispenses from original stamped packages, as hereinafter provided, shall be deemed a retail dealer: *Provided*, That the office, or if none, the residence, of any person shall be considered for the purpose

of this Act his place of business; but no employee of any person who has registered and paid special tax as herein required, acting within the scope of his employment, shall be required to register and pay special tax provided by this section: *Provided further*, That officials of the United States, Territorial, District of Columbia, or insular possessions, State or municipal governments, who in the exercise of their official duties engage in any of the business herein described, shall not be required to register, nor pay special tax, nor stamp the aforesaid drugs as hereinafter prescribed, but their right to this exemption shall be evidenced in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulations prescribe.

"It shall be unlawful for any person required to register under the provisions of this Act to import, manufacture, produce, compound, sell, deal in, dispense, distribute, administer, or give away any of the aforesaid drugs without having registered and paid the special tax as imposed by this section.

*Acts
Unlawful*

"That the word 'person' as used in this Act shall be construed to mean and include a partnership, association, company, or corporation, as well as a natural person; and all provisions of existing law relating to special taxes, as far as necessary, are hereby extended and made applicable to this section.

*Person
Defined*

"That there shall be levied, assessed, collected, and paid upon opium, coca leaves, any compound, salt, derivative, or preparation thereof, produced in or imported into the United States, and sold, or removed for consumption or sale, an internal-revenue tax at the rate of 1 cent per ounce, and any fraction of an ounce in a package shall be taxed as an ounce, such tax to be paid by the importer, manufacturer, producer, or compounder thereof, and to be represented by appropriate stamps, to be provided by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury; and the stamps herein provided shall be so affixed to the bottle or other container as to securely seal the stopper, covering, or wrapper thereof.

*Tax on
Sales of
Opium,
Coca Leaves,
or Deriva-
tives*

"The tax imposed by this section shall be in addition to any import duty imposed on the aforesaid drugs.

"It shall be unlawful for any person to purchase, sell, dispense, or distribute any of the aforesaid drugs except in the original stamped package or from the original stamped package; and the absence of appropriate tax-paid stamps from any of the aforesaid drugs shall be prima facie evidence of a violation of this section by the person in whose possession same may be found; and the possession of any original stamped package containing any of the aforesaid drugs by any person who has not registered and paid special taxes as

*Sales in
Original
Stamped
Package*

required by this section shall be prima facie evidence of liability to such special tax: *Provided*, That the provisions of this paragraph shall not apply to any person having in his or her possession any of the aforesaid drugs which have been obtained from a registered dealer in pursuance of a prescription, written for legitimate medical uses, issued by a physician, dentist, veterinary surgeon, or other practitioner registered under this Act; and where the bottle or other container in which such drug may be put up by the dealer upon said prescription bears the name and registry number of the druggist, serial number of prescription, name and address of the patient, and name, address, and registry number of the person writing said prescription; or to the dispensing, or administration, or giving away of any of the aforesaid drugs to a patient by a registered physician, dentist, veterinary surgeon, or other practitioner in the course of his professional practice, and where said drugs are dispensed or administered to the patient for legitimate medical purposes, and the record kept as required by this Act of the drugs so dispensed, administered, distributed, or given away.

*Provisions
of Existing
Laws
Extended*

"And all the provisions of existing laws relating to the engraving, issuance, sale, accountability, cancellation, and destruction of tax-paid stamps provided for in the internal-revenue laws are, in so far as necessary, hereby extended and made to apply to stamps provided by this section.

*Seizure of
Unstamped
Packages*

"That all unstamped packages of the aforesaid drugs found in the possession of any person, except as herein provided, shall be subject to seizure and forfeiture, and all the provisions of existing internal-revenue laws relating to searches, seizures, and forfeitures of unstamped articles are hereby extended to and made to apply to the articles taxed under this Act and the persons upon whom these taxes are imposed.

Records

"Importers, manufacturers, and wholesale dealers shall keep such books and records and render such monthly returns in relation to the transactions in the aforesaid drugs as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulations require.

"The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall make all needful rules and regulations for carrying the provisions of this Act into effect."

SEC. 1007. That section 6 of such Act of December 17, 1914, is hereby amended to read as follows:

"SEC. 6. That the provisions of this Act shall not be construed to apply to the manufacture, sale, distribution, giving away, dispensing, or possession of preparations and remedies which do not contain more than two grains of opium, or more than one-fourth of a grain of morphine, or more than one-eighth of a grain of heroin, or more than one grain of codeine, or any salt or derivative of any of them in one fluid ounce, or, if a

solid or semisolid preparation, in one avoirdupois ounce; or to liniments, ointments, or other preparations which are prepared for external use only, except liniments, ointments, and other preparations which contain cocaine or any of its salts or alpha or beta eucame or any of their salts or any synthetic substitute for them: *Provided*, That such remedies and preparations are manufactured, sold, distributed, given away, dispensed, or possessed as medicines and not for the purpose of evading the intensions and provisions of this Act: *Provided further*, That any manufacturer, producer, compounder, or vendor (including dispensing physicians) of the preparations and remedies mentioned in this Section shall keep a record of all sales, exchanges, or gifts of such preparations and remedies in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall direct. Such record shall be preserved for a period of two years in such a way as to be readily accessible to inspection by any officer, agent, or employee of the Treasury Department duly authorized for that purpose, and the State, Territorial, District, municipal, and insular officers named in Section 5 of this Act, and every such person so possessing or disposing of such preparations and remedies shall register as required in Section 1 of this Act and, if he is not paying a tax under this Act, he shall pay a special tax of one dollar for each year, or fractional part thereof, in which he is engaged in such occupation, to the collector of internal revenue of the district in which he carries on such occupation as provided in this Act. The provisions of this Act as amended shall not apply to decocainized coca leaves or preparations made therefrom, or to other preparations of coca leaves which do not contain cocaine."

SEC. 1008. That all opium, its salts, derivatives, and compounds, and coca leaves, salts, derivatives, and compounds thereof, which may now be under seizure or which may hereafter be seized by the United States Government from any person or persons charged with any violation of the Act of October 1, 1890, as amended by the Acts of March 3, 1897, February 9, 1909, and January 17, 1914, or the Act of December 17, 1914, shall upon conviction of the person or persons from whom seized be confiscated by and forfeited to the United States; and the Secretary is hereby authorized to deliver for medical or scientific purposes to any department, bureau, or other agency of the United States Government upon proper application therefor under such regulation as may be prescribed by the Commissioner, with the approval of the Secretary, any of the drugs so seized, confiscated, and forfeited to the United States.

*Seized
Drugs
Forfeited
to U. S.*

The provisions of this section shall also apply to any of the aforesaid drugs seized or coming into the possession of the United States in the enforcement of any of the above-men-

tioned Acts where the owner or owners thereof are unknown. None of the aforesaid drugs coming into possession of the United States under the operation of said Acts, or the provisions of this section, shall be destroyed without certification by a committee appointed by the Commissioner, with the approval of the Secretary, that they are of no value for medical or scientific purposes.

*Provisions
Repealed*

SEC. 1009. That the Act approved October 22, 1914, entitled "An Act to increase the internal revenue, and for other purposes," and the joint resolution approved December 17, 1915, entitled "Joint resolution extending the provisions of the Act entitled 'An Act to increase the internal revenue, and for other purposes,' approved October twenty-second, nineteen hundred and fourteen, to December thirty-first, nineteen hundred and sixteen," are hereby repealed, except that the provisions of such Act shall remain in force for the assessment and collection of all special taxes imposed by sections 3 and 4 thereof, or by such sections as extended by such joint resolution, for any year or part thereof ending prior to January 1, 1917, and of all other taxes imposed by such Act, or by such Act as so extended, accrued prior to September 8, 1916, and for the imposition and collection of all penalties or forfeitures which have accrued or may accrue in relation to any of such taxes.

Title XI.—Stamp Taxes

Under Schedule A*

In Lieu of Taxes Imposed by former Laws
(Effective April 1, 1919)

Summary

T A X

AGREEMENTS (*See* Capital Stock; Produce).

BILL OF SALE (*See* Capital Stock; Produce).

BONDS, DEBENTURES, OR CERTIFICATES OF INDEBTEDNESS, issued by any person and all corporate securities issued with interest coupons or in registered form, on each \$100 or fraction thereof \$.05
Renewals are taxed as new issues.

When bond is conditioned for payment or repayment of money in a penal sum greater than the debt secured, the tax shall be on the amount secured.

BONDS, INDEMNITY AND SURETY, Policies of Guaranty and Fidelity Insurance, not otherwise provided for in Schedule A (except in legal proceedings and reinsurance), each .50

Where premium is charged for issuance, execution, renewal, or continuance, on each \$1.00 or fraction of premium .01

*Penalty for illegally using, removing, buying, selling, or destroying any stamp, die plate or impression thereof, is fine not to exceed \$1,000 or imprisonment not to exceed five years, or both. (Sec. 1103.)

Penalty for making, accepting, signing or issuing any instrument or other paper; consigning or shipping any article by parcel post; manufacturing, importing or selling any playing cards, package, or other article, without the full amount of tax being paid, or using an adhesive stamp without cancelling it, is fine not to exceed \$100 for each offense. (Sec. 1102.)

Persons using stamps shall cancel same by writing or stamping initials of name and date. (Sec. 1104.)

Stamps are on sale by several collectors of internal revenue, postmasters, assistant treasurers and designated depositories of the United States. (Secs. 1106 and 1107.)

Bonds, notes or other instruments issued by the United States or by any foreign government or by any State, Territory, or the District of Columbia, or local subdivision thereof; or bonds of indemnity required by the United States to secure the payment of pensions, allowances, allotments, relief or insurance; or stocks and bonds issued by coöperative building and loan associations operating exclusively for the benefit of their members making loans only to their shareholders; or by mutual ditch or irrigation companies shall not be subject to tax. (Sec. 1101.)

CAPITAL STOCK, Original Issue

With par value, each \$100 face value or fraction \$.05

Without par value, actual value \$100 or less per share, each share .05

Without par value, actual value over \$100, per share, each \$100 or fraction .05

Stamps to be attached to stock books and not to certificates.

CAPITAL STOCK AND RIGHTS TO SUBSCRIBE, SALES OR TRANSFERS.

With par value, each \$100 face value or fraction .02

Without par value, actual value \$100 or less per share, each share .02

Without par value, actual value in excess of \$100 per share, each \$100 or fraction .02

Deposit of certificates as collateral not taxable.

Deliveries to brokers for sale or by brokers on account purchase not taxable.

Stamps shall be affixed to a—Transfer books where shown only on books; b—Certificate where transfer is by certificate; c—Bill of sale where certificate delivered in blank.

Penalty for violation: fine not exceeding \$1,000 imprisonment not exceeding 6 months, or both.

CERTIFICATES OF INDEBTEDNESS (See Bonds of Indebtedness).**CHECKS, not payable at sight or on demand (See Drafts and Checks.)****CONVEYANCES OF REAL ESTATE, by deed, instrument, or writing (not to secure debt), on consideration less encumbrances remaining thereon at time of sale:**

Exceeding \$100, not in excess of \$500 .50

Each additional \$500 or fraction thereon .50

Corporate Securities (See Bonds of Indebtedness).**CORPORATE SECURITIES, all instruments issued by corporations with interest coupons or in registered form (See Bonds of Indebtedness).**

DEEDS (<i>See Conveyances</i>).	<u>T A X</u>
DRAFTS OR CHECKS , not payable at sight or on demand, per each \$100 or fraction thereof	\$.02
Stamps to be attached at time of acceptance or delivery within the United States, whichever is prior.	
ENTRY OF MERCHANDISE AT CUSTOM HOUSE —on value of merchandise:	
Not exceeding \$100	.25
Exceeding \$100 and not exceeding \$500	.50
Exceeding \$500	1.00
ENTRY , for withdrawal of merchandise from customs bonded warehouse	.50
INSURANCE , Guaranty and Fidelity, (<i>See Bonds of Indemnity</i>).	
MEMORANDUM OF SALE (<i>See Produce</i>).	
NOTES (<i>See Promissory Notes</i>).	
PARCEL POST PACKAGES —for each 25c. or fraction charged for transportation, from one point in U. S. to another therein, on packages upon which the postage is 25c. or more, to be paid by consignor	.01
No package shall be transported unless stamps are attached.	
MORTGAGE GUARANTY , Policies of (<i>See Bonds of Indebtedness</i>).	
PASSAGE TICKET , one way or round trip transportation by vessels from U. S. to destination not in the U. S., Canada or Mexico:	
Not exceeding \$30	1.00
Exceeding \$30 and not exceeding \$60	3.00
Exceeding \$60	5.00
Tickets not in excess of \$10 are exempt.	
PLAYING CARDS , pack containing not over 54 cards	.08
POLICIES of Insurance, Certificates, Binders, or other instruments (except policies of reinsurance)	

of premium charged on each dollar or fraction thereof

\$.03

NOTE: Insurance referred to is that made or renewed upon property within U. S. against peril by sea, or on land and inland waters, or by fire, lightning, tornado, bombardment, etc., issued to a domestic corporation, partnership or individual resident of the U. S. by a foreign corporation, partnership or individual not a resident of the U. S. when such policy or instrument is not signed by an agent of the insurer within any State, Territory or district of the U. S. within which insurer is authorized to do business.

If, with intent to evade the tax, stamps are not affixed to policies or instruments, in addition to other penalties, a fine of double the tax shall be paid.

POLICIES OF GUARANTY AND FIDELITY INSURANCE
(See Bonds of Indemnity).

POWER OF ATTORNEY, except for use in Government pensions or claims, or in bankruptcy cases .25

PROMISSORY NOTES and each renewal of the same, per \$100 or fraction .02

Bank notes issued for circulation; or promissory notes, when secured by obligations of the United States issued after April 24, 1917, or secured by a promissory note secured by such obligations, if the par value of said obligations are not less than the amount of such note, are not taxable.

PRODUCE, sales of, on exchange for future delivery, on each \$100 in value or fraction .02

So called transferred or scratch sales are not subject to tax. Stamps shall be attached to bill or agreement of sale which shall show date of sale, name of seller, amount of sale, and the matter to which it refers.

Transfer of contracts to a clearing house for the purpose of adjusting accounts provided no beneficial interest is passed to such clearing house, is not subject to tax.

Sales for immediate delivery not taxable.

Penalty for violation: fine not exceeding \$1,000, or imprisonment not exceeding 6 months, or both.

PROXIES, for election of officers or meeting for transaction of business of corporation, except for use in religious, educational, charitable, fraternal or literary societies or public cemeteries .10

RIGHTS (See Capital Stock, Sales or Transfer).

SALES (See Capital Stock; Conveyances; Produce).

TITLE INSURANCE POLICIES OF (See Bonds of Indebtedness).

TRANSFERS (See Capital Stock).

Text of Law—Title XI.

SEC. 1100. That on and after April 1, 1919, there shall be levied, collected, and paid, for and in respect of the several bonds, debentures, or certificates of stock and of indebtedness, and other documents, instruments, matters, and things mentioned and described in Schedule A of this title, or for or in respect of the vellum, parchment, or paper upon which such instruments, matters, or things, or any of them, are written or printed, by any person who makes, signs, issues, sells, removes, consigns, or ships the same, or for whose use or benefit the same are made, signed, issued, sold, removed, consigned, or shipped, the several taxes specified in such schedule. The taxes imposed by this section shall, in the case of any article upon which a corresponding stamp tax is now imposed by law, be in lieu of such tax.

SEC. 1101. That there shall not be taxed under this title any bond, note, or other instrument, issued by the United States, or by any foreign Government, or by any State, Territory, or the District of Columbia, or local subdivision thereof, or municipal or other corporation exercising the taxing power; or any bond of indemnity required to be filed by any person to secure payment of any pension, allowance, allotment, relief, or insurance by the United States; or stocks and bonds issued by coöperative building and loan associations which are organized and operated exclusively for the benefit of their members and make loans only to their shareholders, or by mutual ditch or irrigating companies.

*Instruments
Exempt*

SEC. 1102. That whoever—

(a) Makes, signs, issues, or accepts, or causes to be made, signed, issued, or accepted, any instrument, document, or paper of any kind or description whatsoever without the full amount of tax thereon being duly paid;

Penalty

(b) Consigns or ships, or causes to be consigned or shipped, by parcel post any parcel, package, or article without the full amount of tax being duly paid;

(c) Manufactures or imports and sells, or offers for sale, or causes to be manufactured or imported and sold, or offered for sale, any playing cards, package, or other article without the full amount of tax being duly paid;

(d) Makes use of any adhesive stamp to denote any tax imposed by this title without canceling or obliterating such stamp as prescribed in section 1104;

Is guilty of a misdemeanor and upon conviction thereof shall pay a fine of not more than \$100 for each offense.

SEC. 1103. That whoever—

(a) Fraudulently cuts, tears, or removes from any vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is imposed by this title, any adhesive stamp or the impression of any stamp, die, plate, or other article provided, made, or used in pursuance of this title;

(b) Fraudulently uses, joins, fixes, or places to, with, or upon any vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is imposed by this title, (1) any adhesive stamp, or the impression of any stamp, die, plate, or other article, which has been cut, torn, or removed from any other vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is imposed by this title; or (2) any adhesive stamp or the impression of any stamp, die, plate, or other article of insufficient value; or (3) any forged or counterfeit stamp, or the impression of any forged or counterfeit stamp, die, plate, or other article;

(c) Wilfully removes, or alters the cancellation, or defacing marks of, or otherwise prepares, any adhesive stamp, with intent to use, or cause the same to be used, after it has been already used, or knowingly or wilfully buys, sells, offers for sale, or gives away, any such washed or restored stamp to any person for use, or knowingly uses the same;

(d) Knowingly and without lawful excuse (the burden of proof of such excuse being on the accused) has in possession any washed, restored, or altered stamp, which has been removed from any vellum, parchment, paper, instrument, writing, package, or article;

Is guilty of a misdemeanor, and upon conviction shall be punished by a fine of not more than \$1,000, or by imprisonment for not more than five years, or both, and any such reused, canceled, or counterfeit stamp and the vellum, parchment, document, paper, package, or article upon which it is placed or impressed shall be forfeited to the United States.

Cancellation

SEC. 1104. That whenever an adhesive stamp is used for denoting any tax imposed by this title, except as herein-after provided, the person using or affixing the same shall write or stamp or cause to be written or stamped thereupon the initials of his or its name and the date upon which the same is attached or used, so that the same may not again be used: *Provided*, That the Commissioner may prescribe such other method for the cancellation of such stamps as he may deem expedient.

Stamps

SEC. 1105.(a) That the Commissioner shall cause to be prepared and distributed for the payment of the taxes prescribed in this title suitable stamps denoting the tax on the document, articles, or thing to which the same may be affixed, and shall prescribe such method for the affixing of said stamps in substitution for or in addition to the method provided in this title, as he may deem expedient.

(b) The Commissioner, with the approval of the Secretary, is authorized to procure any of the stamps provided for in this title by contract whenever such stamps can not be speedily prepared by the Bureau of Engraving and Printing; but this authority shall expire on January 1, 1920, except as to imprinted stamps furnished under contract, authorized by the Commissioner.

(c) All internal-revenue laws relating to the assessment and collection of taxes are hereby extended to and made a part of this title, so far as applicable, for the purpose of collecting stamp taxes omitted through mistake or fraud from any instrument, document, paper, writing, parcel, package, or article named herein.

SEC. 1106. That the Commissioner shall furnish to the Postmaster General without prepayment a suitable quantity of adhesive stamps to be distributed to and kept on sale by the various postmasters in the United States. The Postmaster General may require each such postmaster to give additional or increased bond as postmaster for the value of the stamps so furnished, and each such postmaster shall deposit the receipts from the sale of such stamps to the credit of and render accounts to the Postmaster General at such times and in such form as he may by regulations prescribe. The Postmaster General shall at least once monthly transfer all collections from this source to the Treasury as internal-revenue collections.

SEC. 1107. That the collectors of the several districts shall furnish without prepayment to any assistant treasurer or designated depository of the United States located in their respective collection districts a suitable quantity of adhesive stamps for sale. In such cases the collector may require a bond, with sufficient sureties, to an amount equal to the value of the adhesive stamps so furnished, conditioned for the faithful return, whenever so required, of all quantities or amounts undisposed of, and for the payment monthly of all quantities or amounts sold or not remaining on hand. The Secretary may from time to time make such regulations as he may find necessary to insure the safekeeping or prevent the illegal use of all such adhesive stamps.

SCHEDULE A.—STAMP TAXES

1. Bonds of indebtedness: On all bonds, debentures, or certificates of indebtedness issued by any person, and all instruments, however termed, issued by any corporation with interest coupons or in registered form, known generally as corporate securities, on each \$100 of face value or fraction thereof, 5 cents: *Provided*, That every renewal of the foregoing shall be taxed as a new issue: *Provided further*, That when a bond conditioned for the repayment or payment of money is given in a penal sum greater than the debt secured, the tax shall be based upon the amount secured.

*Bonds of
Indebtedness*

2. Bonds, indemnity and surety: On all bonds executed for indemnifying any person who shall have become bound or engaged as surety, and on all bonds executed for the due execution or performance of any contract, obligation, or requirement, or the duties of any office or position, and to account for money received by virtue thereof, and on all policies of guaranty and fidelity insurance, including policies

*Indemnity
and Surety
Bonds*

guaranteeing titles to real estate and mortgage guarantee policies, and on all other bonds of any description, made, issued or executed, not otherwise provided for in this schedule, except such as may be required in legal proceedings, 50 cents: *Provided*, That where a premium is charged for the issuance, execution, renewal or continuance of such bond the tax shall be 1 cent on each dollar or fractional part thereof of the premium charged: *Provided further*, That policies of reinsurance shall be exempt from the tax imposed by this subdivision.

*Capital
Stock,
Original
Issue*

3. Capital stock, issue: On each original issue, whether on organization or reorganization, of certificates of stock, or of profits, or of interest in property or accumulations, by any corporation, on each \$100 of face value or fraction thereof, 5 cents: *Provided*, That where a certificate is issued without face value, the tax shall be 5 cents per share, unless the actual value is in excess of \$100 per share, in which case the tax shall be 5 cents on each \$100 of actual value or fraction thereof.

The stamps representing the tax imposed by this subdivision shall be attached to the stock books and not to the certificates issued.

*Capital
Stock, Sales
or Transfers*

4. Capital stock, sales or transfers: On all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to shares or certificates of stock or of profits or of interest in property or accumulations in any corporation, or to rights to subscribe for or to receive such shares or certificates, whether made upon or shown by the books of the corporation, or by any assignment in blank, or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale, whether entitling the holder in any manner to the benefit of such stock, interest, or rights, or not, on each \$100 of face value or fraction thereof, 2 cents, and where such shares are without par or face value, the tax shall be 2 cents on the transfer or sale or agreement to sell on each share, unless the actual value thereof is in excess of \$100 per share, in which case the tax shall be 2 cents on each \$100 of actual value or fraction thereof: *Provided*, That it is not intended by this title to impose a tax upon an agreement evidencing a deposit of certificates as collateral security for money loaned thereon, which certificates are not actually sold, nor upon the delivery or transfer for such purpose of certificates so deposited: *Provided further*, That the tax shall not be imposed upon deliveries or transfers to a broker for sale, nor upon deliveries or transfers by a broker to a customer for whom and upon whose order he has purchased same, but such deliveries or transfers shall be accompanied by a certificate setting forth the facts: *Provided further*, That in case of sale where the evidence of transfer is shown only by the books of the corporation the stamp shall be placed upon such books; and where the change of ownership is by transfer of the certificate the stamp shall be placed upon the certificate; and in cases of an agree-

ment to sell or where the transfer is by delivery of the certificate assigned in blank there shall be made and delivered by the seller to the buyer a bill or memorandum of such sale, to which the stamp shall be affixed; and every bill or memorandum of sale or agreement to sell before mentioned shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers. Any person liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person, who makes any such sale, or who in pursuance of any such sale, delivers any certificate or evidence of the sale of any stock, interest or right, or bill or memorandum thereof, as herein required, without having the proper stamps affixed thereto with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding \$1,000, or be imprisoned not more than six months, or both.

5. Produce, sales of, on exchange: Upon each sale, agreement of sale, or agreement to sell (not including so-called transferred or scratch sales), any products or merchandise at, or under the rules or usages of, any exchange, or board of trade, or other similar place, for future delivery, for each \$100 in value of the merchandise covered by said sale or agreement of sale or agreement to sell, 2 cents, and for each additional \$100 or fractional part thereof in excess of \$100, 2 cents: *Provided*, That on every sale or agreement of sale or agreement to sell as aforesaid there shall be made and delivered by the seller to the buyer a bill, memorandum, agreement, or other evidence of such sale, agreement of sale, or agreement to sell, to which there shall be affixed a lawful stamp or stamps in value equal to the amount of the tax on such sale: *Provided further*, That sellers of commodities described herein, having paid the tax provided by this subdivision, may transfer such contracts to a clearing-house corporation or association, and such transfer shall not be deemed to be a sale, or agreement of sale, or an agreement to sell within the provisions of this Act, provided that such transfer shall not vest any beneficial interest in such clearing-house association but shall be made for the sole purpose of enabling such clearing-house association to adjust and balance the accounts of the members of such clearing-house association on their several contracts. Every such bill, memorandum, or other evidence of sale or agreement to sell shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers; and any person liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person, who makes any such sale or agreement of sale, or agreement to sell, or who, in pursuance of any such sale, agreement of sale, or agreement to sell, delivers any such products or merchandise without a bill, memorandum, or other

*Sales of
Produce*

evidence thereof as herein required, or who delivers such bill, memorandum, or other evidence of sale, or agreement to sell, without having the proper stamps affixed thereto, with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding \$1,000 or be imprisoned not more than six months, or both.

Exemptions

No bill, memorandum, agreement, or other evidence of such sale, or agreement of sale, or agreement to sell, in case of cash sales of products or merchandise for immediate or prompt delivery which in good faith are actually intended to be delivered shall be subject to this tax.

Drafts and Checks

6. Drafts or checks (payable otherwise than at sight or on demand) upon their acceptance or delivery within the United States whichever is prior, promissory notes, except bank notes issued for circulation, and for each renewal of the same, for a sum not exceeding \$100, 2 cents; and for each additional \$100 or fractional part thereof, 2 cents.

Not Applicable to Certain Promissory Notes

This subdivision shall not apply to a promissory note secured by the pledge of bonds or obligations of the United States issued after April 24, 1917, or secured by the pledge of a promissory note which itself is secured by the pledge of such bonds or obligations: *Provided*, That in either case the par value of such bonds or obligations shall be not less than the amount of such note.

Conveyances

7. Conveyances: Deed, instrument, or writing, whereby any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed to, or vested in, the purchaser or purchasers, or any other person or persons, by his, her, or their direction, when the consideration or value of the interest or property conveyed, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, exceeds \$100 and does not exceed \$500, 50 cents; and for each additional \$500 or fractional part thereof, 50 cents. This subdivision shall not apply to any instrument or writing given to secure a debt.

Entries

8. Entry of any goods, wares, or merchandise at any customhouse, either for consumption or warehousing, not exceeding \$100 in value, 25 cents; exceeding \$100 and not exceeding \$500 in value, 50 cents; exceeding \$500 in value, \$1.

Entries for Withdrawals

9. Entry for the withdrawal of any goods or merchandise from customs bonded warehouse, 50 cents.

Passage Tickets

10. Passage ticket, one way or round trip, for each passenger, sold or issued in the United States for passage by any vessel to a port or place not in the United States, Canada, or Mexico, if costing not exceeding \$30, \$1; costing more than \$30 and not exceeding \$60, \$3; costing more than \$60, \$5. This subdivision shall not apply to passage tickets costing \$10 or less.

Proxies

11. Proxy for voting at any election for officers, or meeting for the transaction of business, of any corporation,

except religious, educational, charitable, fraternal, or literary societies, or public cemeteries, 10 cents.

12. Power of attorney granting authority to do or perform some act for or in behalf of the grantor, which authority is not otherwise vested in the grantee, 25 cents. This subdivision shall not apply to any papers necessary to be used for the collection of claims from the United States or from any State for pensions, back pay, bounty, or for property lost in the military or naval service, or to powers of attorney required in bankruptcy cases.

*Powers of
Attorney*

13. Playing cards: Upon every pack of playing cards containing not more than fifty-four cards, manufactured or imported, and sold, or removed for consumption or sale, a tax of 8 cents per pack.

*Playing
Cards*

14. Parcel-post packages: Upon every parcel or package transported from one point in the United States to another by parcel post on which the postage amounts to 25 cents or more, a tax of 1 cent for each 25 cents or fractional part thereof charged for such transportation, to be paid by the consignor.

Parcel Post

No such parcel or package shall be transported until a stamp or stamps representing the tax due shall have been affixed thereto.

15. On each policy of insurance, or certificate, binder, covering note, memorandum, cablegram, letter, or other instrument by whatever name called whereby insurance is made or renewed upon property within the United States (including rents and profits) against peril by sea or on inland waters or in transit on land (including transshipments and storage at termini or way points) or by fire, lightning, tornado, wind-storm, bombardment, invasion, insurrection or riot, issued to or for or in the name of a domestic corporation or partnership or an individual resident of the United States by any foreign corporation or partnership or any individual not a resident of the United States, when such policy or other instrument is not signed or countersigned by an officer or agent of the insurer in a State, Territory, or district of the United States within which such insurer is authorized to do business, a tax of 3 cents on each dollar, or fractional part thereof of the premium charged: *Provided*, That policies of re-insurance shall be exempt from the tax imposed by this subdivision.

*Insurance
Instruments*

Any person to or for whom or in whose name any such policy or other instrument is issued, or any solicitor or broker acting for or on behalf of such person in the procurement of any such policy or other instrument, shall affix the proper stamps to such policy or other instrument, and for failure to affix such stamps with intent to evade the tax shall, in addition to other penalties provided therefor, pay a fine of double the amount of the tax.

Penalty

Title XII.

TAX ON EMPLOYMENT OF CHILD LABOR

Summary

Employers of child labor, under conditions outlined in Section 1200, are required to pay, in addition to all other taxes, an excise tax of 10 per centum of the entire net profits received or accrued from the sale or disposition of the product of the particular business or establishment. (Sec. 1200.) The net profits shall be determined by deducting from the gross income received or accrued for the taxable year from the sale or disposition of the products manufactured within the United States, the items enumerated in Section 1201.

EMPLOYERS NOT TAXABLE

The employment of a child in good faith by a person who has relied upon a certificate issued as prescribed under the law as to the age of such child, shall not subject such person to this tax. (Sec. 1203-a.)

The tax shall also not apply to a person who proves he has permitted a child to work under a mistake of fact as to the child's age, and without intention of evading the tax. (Sec. 1203-b.)

RETURNS AND PAYMENT OF TAX

Returns shall be made, under prescribed regulations, on or before the first day of the third month following the close of each taxable year, to the collector for the district in which the taxpayer's principal office or place of business is located. Tax shall be paid within 30 days after notice. (Secs. 1204, 1205.)

AUTHORITY TO INSPECT MINES, FACTORIES, ETC.

The Commissioner or his duly authorized agent, for the purposes of this Act, may inspect any mine, quarry, mill, cannery, workshop, factory or manufacturing establishment. Refusal or obstruction of an authorized entry or inspection is punishable by a fine of not more than \$1,000, or imprisonment for not more than one year, or both. (Sec. 1206.)

Text of Law—Title XII.

SEC. 1200. That every person (other than a bona fide boys' or girls' canning club recognized by the Agricultural Department of a State and of the United States) operating (a) any mine or quarry situated in the United States in which children under the age of sixteen years have been employed or permitted to work during any portion of the taxable year; or (b) any mill, cannery, workshop, factory, or manufacturing establishment situated in the United States in which children under the age of fourteen years have been employed or permitted to work, or children between the ages of fourteen and sixteen have been employed or permitted to work more than eight hours in any day or more than six days in any week, or after the hour of seven o'clock post meridian, or before the hour of six o'clock ante meridian, during any portion of the taxable year, shall pay for each taxable year, in addition to all other taxes imposed by law, an excise tax equivalent to 10 per centum of the entire net profits received or accrued for such year from the sale or disposition of the product of such mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment.

*Employers
Subject
to Tax*

Rate of Tax

SEC. 1201. That in computing net profits under the provisions of this title, for the purpose of the tax there shall be allowed as deductions from the gross amount received or accrued for the taxable year from the sale or disposition of such products manufactured within the United States the following items.

*Deductions
Allowed*

(a) The cost of raw materials entering into the production;

*Cost of Raw
Materials*

(b) Running expenses, including rentals, cost of repairs, and maintenance, heat, power, insurance, management, and a reasonable allowance for salaries or other compensations for personal services actually rendered, and for depreciation;

*Running
Expenses,
etc.*

(c) Interest paid within the taxable year on debts or loans contracted to meet the needs of the business, and the proceeds of which have been actually used to meet such needs;

Interest

(d) Taxes of all kinds paid during the taxable year with respect to the business or property relating to the production; and

Taxes

(e) Losses actually sustained within the taxable year in connection with the business of producing such products, including losses from fire, flood, storm, or other casualties, and not compensated for by insurance or otherwise.

Losses

*Sales of
Products of
Mine, etc.,
at less than
Market
Price*

SEC. 1202. That if any such person during any taxable year or part thereof, whether under any agreement, arrangement, or understanding or otherwise, sells or disposes of any product of such mine, quarry, mill, cannery, workshop,

factory, or manufacturing establishment at less than the fair market price obtainable therefor either (a) in such manner as directly or indirectly to benefit such person or any person directly or indirectly interested in the business of such person; or (b) with intent to cause such benefit; the gross amount received or accrued for such year or part thereof from the sale or disposition of such product shall be taken to be the amount which would have been received or accrued from the sale or disposition of such product if sold at the fair market price.

*Employment
under
Mistake*

SEC. 1203.(a) That no person subject to the provisions of this title shall be liable for the tax herein imposed if the only employment or permission to work which but for this section would subject him to the tax, has been of a child as to whom such person has in good faith procured at the time of employing such child or permitting him to work, and has since in good faith relied upon and kept on file a certificate, issued in such form, under such conditions and by such persons as may be prescribed by a board consisting of the Secretary, the Commissioner, and the Secretary of Labor, showing the child to be of such age as not to subject such person to the tax imposed by this title. Any person who knowingly makes a false statement or presents false evidence in or in relation to any such certificate or application therefor shall be punished by a fine of not less than \$100, nor more than \$1,000, or by imprisonment for not more than three months, or by both such fine and imprisonment, in the discretion of the court.

In any State designated by such board an employment certificate or other similar paper as to the age of the child, issued under the laws of that State, and not inconsistent with the provisions of this title, shall have the same force and effect as a certificate herein provided for.

(b) The tax imposed by this title shall not be imposed in the case of any person who proves to the satisfaction of the Secretary that the only employment or permission to work which but for this section would subject him to the tax, has been of a child employed or permitted to work under a mistake of fact as to the age of such child, and without intention to evade the tax.

*Returns—
When Made*

SEC. 1204. That on or before the first day of the third month following the close of each taxable year, a true and accurate return under oath shall be made by each person subject to the provisions of this title to the collector for the district in which such person has his principal office or place of business, in such form as the Commissioner, with the approval of the Secretary, shall prescribe, setting forth specifically the gross amount of income received or accrued during such year from the sale or disposition of the product of any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment, in which children have been

employed subjecting him to the tax imposed by this title, and from the total thereof deducting the aggregate items of allowance authorized by this title, and such other particulars as to the gross receipts and items of allowance as the Commissioner, with the approval of the Secretary may require.

SEC. 1205. That all such returns shall be transmitted forthwith by the collector to the Commissioner, who shall, as soon as practicable, assess the tax found due and notify the person making such return of the amount of tax for which such person is liable, and such person shall pay the tax to the collector on or before thirty days from the date of such notice.

*Payment
of Tax*

SEC. 1206. That for the purposes of this Act the Commissioner, or any other person duly authorized by him, shall have authority to enter and inspect at any time any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment. The Secretary of Labor, or any person duly authorized by him, shall, for the purpose of complying with a request of the Commissioner to make such an inspection, have like authority, and shall make report to the Commissioner of inspections made under such authority in such form as may be prescribed by the Commissioner with the approval of the Secretary of the Treasury.

*Inspection
of Quarries,
etc.*

Any person who refuses or obstructs entry or inspection authorized by this section shall be punished by a fine of not more than \$1,000, or by imprisonment for not more than one year, or both such fine and imprisonment.

SEC. 1207. That as used in this title the term "taxable year" shall have the same meaning as provided for the purposes of income tax in section 200. The first taxable year for the purposes of this title shall be the period between sixty days after the passage of this Act and December 31, 1919, both inclusive, or such portion of such period as is included within the fiscal year (as defined in section 200) of the taxpayer.

*Taxable
Year*

Title XIII.—General Administrative Provisions

Text of Law

SEC. 1300. That hereafter the salary of the Commissioner shall be \$10,000 a year. The difference between the amount appropriated under existing law and the salary herein established shall, for the period between the passage of this Act and July 1, 1919, be paid out of the appropriations for collecting internal revenue.

Salaries

SEC. 1301.(a) That hereafter there may be employed in the Bureau of Internal Revenue, in lieu of the deputy commissioners whose salaries are now fixed by law, five deputy

*Assessment
and
Collection
Expenses*

commissioners and an assistant to the Commissioner, who shall each receive a salary of \$5,000 a year, payable monthly. The assistant to the Commissioner may be authorized by the Commissioner to perform any duties which the deputy commissioners may perform under existing law.

(b) The salaries of collectors may be readjusted and increased under such regulations as may be prescribed by the Commissioner, subject to the approval of the Secretary, but no collector shall receive a salary in excess of \$6,000 a year.

(c) There is hereby appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1919, the sum of \$7,500,000 for the expenses of assessing and collecting the internal-revenue taxes as provided in this Act, including the employment of necessary officers, attorneys, experts, agents, inspectors, deputy collectors, clerks, janitors, and messengers, in the District of Columbia and the several collection districts, to be appointed as provided by law, telegraph and telephone service, rental and repair of quarters, postage, and the purchase of such supplies, equipment, furniture, mechanical devices, printing, stationery, law books and books of reference, not to exceed \$500 for street car fares in the District of Columbia, and such other articles as may be necessary for use in the District of Columbia and the several collection districts: *Provided*, That not more than \$2,750,000 of the total amount appropriated by this section may be expended in the Bureau of Internal Revenue, in the District of Columbia.

*Advisory Tax
Board*

(d) (1) There is hereby created a board to be known as the "Advisory Tax Board," hereinafter called the Board, and to be composed of not to exceed six members to be appointed by the Commissioner with the approval of the Secretary. The Board shall cease to exist at the expiration of two years after the passage of this act, or at such earlier time as the Commissioner with the approval of the Secretary may designate.

Vacancies in the membership of the Board shall be filled in the same manner as an original appointment. Any member shall be subject to removal by the Commissioner with the approval of the Secretary. The Commissioner with the approval of the Secretary shall designate the chairman of the Board. Each member shall receive an annual salary of \$9,000, payable monthly, together with actual necessary expenses when absent from the District of Columbia on official business.

(2) The Commissioner may, and on the request of any taxpayer directly interested shall, submit to the Board any question relating to the interpretation or administration of the income, war-profits or excess-profits tax laws, and the Board shall report its findings and recommendations to the Commissioner.

(3) The Board shall have its office in the Bureau of Internal Revenue in the District of Columbia. The expenses and salaries of the members of the Board shall be audited, allowed,

and paid out of appropriations for collecting internal revenue, in the same manner as expenses and salaries of employees of the Bureau of Internal Revenue are audited, allowed, and paid.

(4) The Board shall have the power to summon witnesses, take testimony, administer oaths and to require any person to produce books, papers, documents, or other data relating to any matter under investigation by the Board. Any member of the Board may sign subpoenas and members and employees of the Bureau of Internal Revenue designated to assist the Board, when authorized by the Board, may administer oaths, examine witnesses, take testimony and receive evidence.

SEC. 1302. That all internal revenue agents and inspectors shall be granted leave of absence with pay, which shall not be cumulative, not to exceed thirty days in any calendar year, under such regulations as the Commissioner, with the approval of the Secretary, may prescribe.

SEC. 1303.(a) That there is hereby created a Legislative Drafting Service under the direction of two draftsmen, one of whom shall be appointed by the President of the Senate, and one by the Speaker of the House of Representatives, without reference to political affiliations and solely on the ground of fitness to perform the duties of the office. Each draftsman shall receive a salary of \$5,000 a year, payable monthly. The draftsmen shall, subject to the approval of the President of the Senate and the Speaker of the House of Representatives, employ and fix the compensation of such assistant draftsmen, clerks, and other employees, and purchase such furniture, office equipment, books, stationery, and other supplies, as may be necessary for the proper performance of the duties of the service and as may be appropriated for by Congress.

*Legislative
Drafting
Service*

(b) The Drafting Service shall aid in drafting public bills and resolutions or amendments thereto on the request of any committee of either House of Congress, but the Library Committee of the Senate and the Library Committee of the House of Representatives, respectively, may determine the preference, if any, to be given to such requests of the committees of either House, respectively. The draftsmen shall, from time to time, prescribe rules and regulations for the conduct of the work of the service for the committees of each House, subject to the approval of the Library Committee of each House, respectively.

(c) For the remainder of the current fiscal year there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$25,000, or so much thereof as may be necessary, for the purpose of defraying the expenses of the establishment and maintenance of the service, including the payment of salaries herein authorized. One-half of all appropriations for the service shall be disbursed by the Secretary of the Senate and one-half by the Clerk of the House of Representatives.

*Virgin
Islands*

SEC. 1304. That there shall be levied, collected, and paid in the United States, upon articles coming into the United States from the Virgin Islands, a tax equal to the internal-revenue tax imposed in the United States upon like articles of domestic manufacture; such articles shipped from such islands to the United States shall be exempt from the payment of any tax imposed by the internal-revenue laws of such islands: *Provided*, That there shall be levied, collected, and paid in such islands, upon articles imported from the United States, a tax equal to the internal-revenue tax imposed in such islands upon like articles there manufactured; and such articles going into such islands from the United States shall be exempt from payment of any tax imposed by the internal-revenue laws of the United States.

SEC. 1305. That all administrative, special, or stamp provisions of law, including the law relating to the assessment of taxes, so far as applicable, are hereby extended to and made a part of this Act, and every person liable to any tax imposed by this Act, or for the collection thereof, shall keep such records and render, under oath, such statements and returns, and shall comply with such regulations as the Commissioner, with the approval of the Secretary, may from time to time prescribe.

Whenever in the judgment of the Commissioner necessary he may require any person, by notice served upon him, to make a return or such statements as he deems sufficient to show whether or not such person is liable to tax.

The Commissioner, for the purpose of ascertaining the correctness of any return or for the purpose of making a return where none had been made, is hereby authorized, by any revenue agent or inspector designated by him for that purpose, to examine any books, papers, records or memoranda bearing upon the matters required to be included in the return, and may require the attendance of the person rendering the return or of any officer or employee of such person, or the attendance of any other person having knowledge in the premises, and may take his testimony with reference to the matter required by law to be included in such return, with power to administer oaths to such person or persons.

Floor Taxes

SEC. 1306. That where floor taxes are imposed by this Act in respect to articles or commodities, in respect to which the tax imposed by existing law has been paid, the person required by this Act to pay the tax shall, within thirty days after its passage, make return under oath in such form and under such regulations as the Commissioner, with the approval of the Secretary, shall prescribe. Payment of the tax shown to be due may be extended to a date not exceeding seven months from the passage of this Act, upon the filing of a bond for payment in such form and amount and

with such sureties as the Commissioner, with the approval of the Secretary, may prescribe.

SEC. 1307. That in all cases where the method of collecting the tax imposed by this Act is not specifically provided in this Act, the tax shall be collected in such manner as the Commissioner, with the approval of the Secretary, may prescribe. All administrative and penalty provisions of Title XI of this Act, in so far as applicable, shall apply to the collection of any tax which the Commissioner determines or prescribes shall be paid by stamp.

*Collection
of Tax*

SEC. 1308.(a) That any person required under Titles V, VI, VII, VIII, IX, X, or XII, to pay, or to collect, account for and pay over any tax, or required by law or regulations made under authority thereof to make a return or supply any information for the purposes of the computation, assessment or collection of any such tax, who fails to pay, collect, or truly account for and pay over any such tax, make any such return or supply any such information at the time or times required by law or regulation shall in addition to other penalties provided by law be subject to a penalty of not more than \$1,000.

*Penalty for
Failure to
Pay Tax or
File Return*

(b) Any person who wilfully refuses to pay, collect, or truly account for and pay over any such tax, make such return or supply such information at the time or times required by law or regulation, or who wilfully attempts in any manner to evade such tax shall be guilty of a misdemeanor and in addition to other penalties provided by law shall be fined not more than \$10,000 or imprisoned for not more than one year, or both, together with the costs of prosecution.

(c) Any person who wilfully refuses to pay, collect, or truly account for and pay over any such tax shall in addition to other penalties provided by law be liable to a penalty of the amount of the tax evaded, or not paid, collected, or accounted for and paid over, to be assessed and collected in the same manner as taxes are assessed and collected. *Provided, however,* That no penalty shall be assessed under this subdivision for any offense for which a penalty may be assessed under authority of section 3176 of the Revised Statutes, as amended, or of section 605 or 620 of this Act, or for any offense for which a penalty has been recovered under section 3256 of the Revised Statutes.

(d) The term "person" as used in this section includes an officer or employee of a corporation or a member or employee of a partnership, who as such officer, employee, or member is under a duty to perform the act in respect of which the violation occurs.

*Definition
of Person*

SEC. 1309. That the Commissioner, with the approval of the Secretary, is hereby authorized to make all needful rules and regulations for the enforcement of the provisions of this Act.

The Commissioner with such approval may by regulation provide that any return required by Titles V, VI, VII, VIII, IX or X to be under oath may, if the amount of the tax covered thereby is not in excess of \$10, be signed or acknowledged before two witnesses instead of under oath.

Overpayment

SEC. 1310.(a) That in the case of any overpayment or over collection of any tax imposed by section 628 or 630 or by Title V, Title VIII, or Title IX, the person making such overpayment or over collection may take credit therefor against taxes due upon any monthly return, and shall make refund of any excessive amount collected by him upon proper application by the person entitled thereto.

(b) Wherever in this Act a tax is required to be paid by the purchaser to the vendor at the time of a sale, and such sale is made on credit, then, under regulations prescribed by the Commissioner, with the approval of the Secretary, the tax may, at the option of the vendor, be returned and paid by him to the United States as if paid to him by the purchaser at the time of the sale, and in such case the vendor shall have a right of action in any court of competent jurisdiction against the purchaser for the amount of the tax so returned and paid to the United States.

(c) Under such rules and regulations as the Commissioner with the approval of the Secretary may prescribe, the taxes imposed under the provisions of Titles VI, VII or IX shall not apply in respect to articles sold or leased for export and in due course so exported. Under such rules and regulations the amount of any internal-revenue tax erroneously or illegally collected in respect to exported articles may be refunded to the exporter of the article, instead of to the manufacturer, if the manufacturer waives any claim for the amount so to be refunded.

*Use of
Stamps on
Hand*

SEC. 1311. That where the rate of tax imposed by this Act, payable by stamps, is an increase over previously existing rates, stamps on hand in the collectors' offices and in the Bureau of Internal Revenue may continue to be used until the supply on hand is exhausted, but shall be sold and accounted for at the rates provided by this Act, and assessment shall be made against manufacturers and other taxpayers having such stamps on hand on the day this Act takes effect for the difference between the amount paid for such stamps and the tax due at the rates provided by this Act.

*Contracts
Made prior
to May 9,
1917*

SEC. 1312. (1) That (a) if any person has prior to May 9, 1917, made a bona fide contract with a dealer for the sale or lease, after the tax takes effect, of any article in respect to which a tax is imposed under Title VI, VII, or IX, or under subdivision 13 of Schedule A of Title XI, or under this subdivision and (b) if such contract does not permit the adding of the whole of such tax to the amount to be paid under such contract, then the vendee or lessee shall, in lieu of the vendor

or lessor, pay so much of such tax as is not so permitted to be added to the contract price. If a contract of the character above described was made with any person other than a dealer, the tax collected under this Act shall be the tax in force on May 9, 1917.

(2) If (a) any person has prior to September 3, 1918, made a bona fide contract with a dealer for the sale or lease, after the tax takes effect, of any article in respect to which a tax is imposed under Title VI, VII, or IX, or under subdivision 13 of Schedule A of Title XI, or under this subdivision, and in respect to which no corresponding tax was imposed by the Revenue Act of 1917, and (b) such contract does not permit the adding, to the amount to be paid under such contract, of the whole of the tax imposed by this Act, then the vendee or lessee shall, in lieu of the vendor or lessor, pay so much of the tax imposed by this Act as is not so permitted to be added to the contract price. If a contract of the character above described was made with any person other than a dealer, no tax shall be collected under this Act.

*Contracts
Made prior
to September
3, 1918*

(3) If (a) any person has prior to September 3, 1918, made a bona fide contract with a dealer for the sale or lease, after the tax takes effect, of any articles in respect to which a tax is imposed under Title VI, VII, or IX, or under subdivision 13 of Schedule A of Title XI, or under this subdivision, and in respect to which a corresponding tax was imposed by the Revenue Act of 1917, and (b) such contract does not permit the adding, to the amount to be paid under such contract, of the whole of the difference between such tax and the corresponding tax imposed by the Revenue Act of 1917, then the vendee or lessee shall, in lieu of the vendor or lessor, pay so much of such difference as is not so permitted to be added to the contract price. If a contract of the character above described was made with any person other than a dealer, the tax collected under this Act shall be the tax in force on September 3, 1918.

(4) The taxes payable by the vendee or lessee under this section shall be paid to the vendor or lessor at the time the sale or lease is consummated, and collected, returned, and paid to the United States by such vendor or lessor in the same manner as provided in section 502.

*Taxes
Payable
by Vendee*

(5) The term "dealer" as used in this section includes a vendee who purchases any article with intent to use it in the manufacture or production of another article intended for sale.

*Dealer
Defined*

(6) This section shall not apply to any tax imposed by section 906.

SEC 1313. That in the payment of any tax under this Act not payable by stamp a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to 1 cent.

*Fraction
of Cent*

*Certificates
of Indebtedness and
Uncertified
Checks
Received in
Payment
of Taxes*

SEC. 1314. That collectors may receive, at par with an adjustment for accrued interest, certificates of indebtedness issued by the United States and uncertified checks in payment of income, war-profits and excess-profits taxes and any other taxes payable other than by stamp, during such time and under such regulations as the Commissioner with the approval of the Secretary, shall prescribe; but if a check so received is not paid by the bank on which it is drawn the person by whom such check has been tendered shall remain liable for the payment of the tax and for all legal penalties and additions the same as if such check had not been tendered.

*Issuance
of Stamps
in lieu of
Stamps
Lost or
Destroyed*

SEC. 1315. That section 3315 of the Revised Statutes, as amended, is hereby amended to read as follows:

"SEC. 3315. The Commissioner of Internal Revenue may, under regulations prescribed by him with the approval of the Secretary of the Treasury, issue stamps for restamping packages of distilled spirits, tobacco, cigars, snuff, cigarettes, fermented liquors, and wines which have been duly stamped but from which the stamps have been lost or destroyed by unavoidable accident."

Refunds

SEC. 1316.(a) That section 3220 of the Revised Statutes is hereby amended to read as follows:

"SEC. 3220. The Commissioner of Internal Revenue, subject to regulations prescribed by the Secretary of the Treasury, is authorized to remit, refund, and pay back all taxes erroneously or illegally assessed or collected, all penalties collected without authority, and all taxes that appear to be unjustly assessed or excessive in amount, or in any manner wrongfully collected; also to repay to any collector or deputy collector the full amount of such sums of money as may be recovered against him in any court, for any internal revenue taxes collected by him, with the cost and expenses of suit; also all damages and costs recovered against any assessor, assistant assessor, collector, deputy collector, agent, or inspector, in any suit brought against him by reason of anything done in the due performance of his official duty, and shall make report to Congress at the beginning of each regular session of Congress of all transactions under this section."

(b) Section 3225 of the Revised Statutes of the United States is hereby amended to read as follows:

*Second
Assessment*

"SEC. 3225. When a second assessment is made in case of any list, statement, or return, which in the opinion of the collector or deputy collector was false or fraudulent, or contained any understatement or under valuation, such assessment shall not be remitted, nor shall taxes collected under such assessment be refunded, or paid back, or recovered by any suit, unless it is proved that such list, statement, or return was not willfully false or fraudulent and did not contain any willful understatement or undervaluation."

(c) That the paragraph of section 3689 of the Revised Statutes, as amended, reading as follows:

"Refunding taxes illegally collected (internal revenue): To refund and pay back duties erroneously or illegally assessed or collected under the internal-revenue laws," is repealed from and after June 30, 1920; and the Secretary of the Treasury shall submit for the fiscal year 1921, and annually thereafter, an estimate of appropriations to refund and pay back duties or taxes erroneously or illegally assessed or collected under the internal-revenue laws, and to pay judgments, including interest and costs, rendered for taxes or penalties erroneously or illegally assessed or collected under the internal-revenue laws.

SEC. 1317. That sections 3164, 3165, 3167, 3172, 3173, and 3176 of the Revised Statutes as amended are hereby amended to read as follows:

"SEC. 3164. It shall be the duty of every collector of internal revenue having knowledge of any willful violation of any law of the United States relating to the revenue, within thirty days after coming into possession of such knowledge, to file with the district attorney of the district in which any fine, penalty, or forfeiture may be incurred, a statement of all the facts and circumstances of the case within his knowledge, together with the names of the witnesses, setting forth the provisions of law believed to be so violated on which reliance may be had for condemnation or conviction.

*Violation
of Law
Within
Knowledge
of Collector*

"SEC. 3165. Every collector, deputy collector, internal-revenue agent, and internal-revenue officer assigned to duty under an internal-revenue agent, is authorized to administer oaths and to take evidence touching any part of the administration of the internal-revenue laws with which he is charged, or where such oaths and evidence are authorized by law or regulation authorized by law to be taken.

*Administer-
ing Oaths*

"SEC. 3167. It shall be unlawful for any collector, deputy collector, agent, clerk, or other officer or employee of the United States to divulge or to make known in any manner whatever not provided by law to any person the operations, style of work, or apparatus of any manufacturer or producer visited by him in the discharge of his official duties, or the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; and it shall be unlawful for any person to print or publish in any manner whatever not provided by law any income return, or any part thereof or source of income, profits, losses, or expenditures appearing in any income return; and any offense against the foregoing provision shall be a misdemeanor and be punished by a fine not exceeding \$1,000 or by

*Unlawful
for Collectors
to Divulge
Information*

imprisonment not exceeding one year, or both, at the discretion of the court; and if the offender be an officer or employee of the United States he shall be dismissed from office or discharged from employment.

"SEC. 3172. Every collector shall, from time to time, cause his deputies to proceed through every part of his district and inquire after and concerning all persons therein who are liable to pay any internal-revenue tax, and all persons owning or having the care and management of any objects liable to pay any tax, and to make a list of such persons and enumerate said objects.

Returns

"SEC. 3173. It shall be the duty of any person, partnership, firm, association, or corporation, made liable to any duty, special tax, or other tax imposed by law, when not otherwise provided for, (1) in case of a special tax, on or before the thirty-first day of July in each year, and (2) in other cases before the day on which the taxes accrue, to make a list or return, verified by oath, to the collector or a deputy collector of the district where located, of the articles or objects, including the quantity of goods, wares, and merchandise, made or sold and charged with a tax, the several rates and aggregate amount, according to the forms and regulations to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, for which such person, partnership, firm, association, or corporation is liable: *Provided*, That if any person liable to pay any duty or tax, or owning, possessing, or having the care or management of property, goods, wares, and merchandise, article or objects liable to pay any duty, tax, or license, shall fail to make and exhibit a list or return required by law, but shall consent to disclose the particulars of any and all the property, goods, wares, and merchandise, articles, and objects liable to pay any duty or tax, or any business or occupation liable to pay any tax as aforesaid, then, and in that case, it shall be the duty of the collector or deputy collector to make such list or return, which, being distinctly read, consented to, and signed and verified by oath by the person so owning, possessing, or having the care and management as aforesaid, may be received as the list of such person: *Provided further*, That in case no annual list or return has been rendered by such person to the collector or deputy collector as required by law, and the person shall be absent from his or her residence or place of business at the time the collector or a deputy collector shall call for the annual list or return, it shall be the duty of such collector or deputy collector to leave at such place of residence or business, with some one of suitable age and discretion, if such be present, otherwise to deposit in the nearest post office, a note or memorandum addressed to such person, requiring him or her to render to such collector or deputy collector the list or return required by law within

ten days from the date of such note or memorandum, verified by oath. And if any person, on being notified or required as aforesaid, shall refuse or neglect to render such list or return within the time required as aforesaid, or whenever any person who is required to deliver a monthly or other return of objects subject to tax fails to do so at the time required, or delivers any return which, in the opinion of the collector, is erroneous, false, or fraudulent, or contains any undervaluation or understatement, or refuses to allow any regularly authorized Government officer to examine the books of such person, firm, or corporation, it shall be lawful for the collector to summon such person, or any other person having possession, custody, or care of books of account containing entries relating to the business of such person or any other person he may deem proper to appear before him and produce such books at a time and place named in the summons, and to give testimony or answer interrogatories, under oath, respecting any objects or income liable to tax or the returns thereof. The collector may summon any person residing or found within the State or Territory in which his district lies; and when the person intended to be summoned does not reside and can not be found within such State or Territory, he may enter any collection district where such person may be found and there make the examination herein authorized. And to this end he may there exercise all the authority which he might lawfully exercise in the district for which he was commissioned: *Provided*, That 'person,' as used in this section, shall be construed to include any corporation, joint-stock company or association, or insurance company when such construction is necessary to carry out its provisions.

"SEC. 3176. If any person, corporation, company, or association fails to make and file a return or list at the time prescribed by law or by regulation made under authority of law, or makes, willfully or otherwise, a false or fraudulent return or list, the collector or deputy collector shall make the return or list from his own knowledge and from such information as he can obtain through testimony or otherwise. In any such case the Commissioner [may, from his own knowledge and from such information as he can obtain through testimony or otherwise, make a return or amend any return made by a collector or deputy collector. Any return or list so made and subscribed by the Commissioner, or by a collector or deputy collector and approved by the Commissioner, shall be prima facie good and sufficient for all legal purposes.

"If the failure to file a return or list is due to sickness or absence, the collector may allow such further time, not exceeding thirty days, for making and filing the return or list as he deems proper.

"The Commissioner of Internal Revenue shall determine and assess all taxes, other than stamp taxes, as to which

*Failure
to File
Returns*

returns or lists are so made under the provisions of this section. In case of any failure to make and file a return or list within the time prescribed by law, or prescribed by the Commissioner of Internal Revenue or the collector in pursuance of law, the Commissioner of Internal Revenue shall add to the tax 25 per centum of its amount, except that when a return is filed after such time and it is shown that the failure to file it was due to a reasonable cause and not to willful neglect, no such addition shall be made to the tax. In case a false or fraudulent return or list is willfully made, the Commissioner of Internal Revenue shall add to the tax 50 per centum of its amount.

Collections

"The amount so added to any tax shall be collected at the same time and in the same manner and as part of the tax unless the tax has been paid before the discovery of the neglect, falsity, or fraud, in which case the amount so added shall be collected in the same manner as the tax."

*Jurisdiction
of District
Courts*

SEC. 1318. That if any person is summoned under this Act to appear, to testify, or to produce books, papers or other data, the district court of the United States for the district in which such person resides shall have jurisdiction by appropriate process to compel such attendance, testimony, or production of books, papers, or other data.

The district courts of the United States at the instance of the United States are hereby invested with such jurisdiction to make and issue, both in actions at law and suits in equity, writs and orders of injunction, and of ne exeat republica, orders appointing receivers, and such other orders and process, and to render such judgments and decrees, granting in proper cases both legal and equitable relief together, as may be necessary or appropriate for the enforcement of the provisions of this Act. The remedies hereby provided are in addition to and not exclusive of any and all other remedies of the United States in such courts or otherwise to enforce such provisions.

*Penalty for
False
Statement
that Tax on
Article has
been Paid*

SEC. 1319. That whoever in connection with the sale or lease, or offer for sale or lease, of any article, or for the purpose of making such sale or lease, makes any statement, written or oral, (1) intended or calculated to lead any person to believe that any part of the price at which such article is sold or leased, or offered for sale or lease, consists of a tax imposed under the authority of the United States, or (2) ascribing a particular part of such price to a tax imposed under the authority of the United States, knowing that such statement is false or that the tax is not so great as the portion of such price ascribed to such tax, shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not more than \$1,000 or by imprisonment not exceeding one year, or both.

SEC. 1320. That wherever by the laws of the United States or regulations made pursuant thereto, any person is required to furnish any recognizance, stipulation, bond, guaranty, or

undertaking, hereinafter called "penal bond", with surety or sureties, such person may, in lieu of such surety or sureties, deposit as security with the official having authority to approve such penal bond, United States Liberty bonds or other bonds of the United States in a sum equal at their par value to the amount of such penal bond required to be furnished, together with an agreement authorizing such official to collect or sell such bonds so deposited in case of any default in the performance of any of the conditions or stipulations of such penal bond. The acceptance of such United States bonds in lieu of surety or sureties required by law shall have the same force and effect as individual or corporate sureties, or certified checks, bank drafts, post-office money orders or cash, for the penalty or amount of such penal bond. The bonds deposited hereunder, and such other United States bonds as may be substituted therefor from time to time as such security, may be deposited with the Treasurer, or an Assistant Treasurer of the United States, a Government depository, Federal Reserve bank, or member bank, which shall issue receipt therefor, describing such bonds so deposited. As soon as security for the performance of such penal bond is no longer necessary, such bonds so deposited shall be returned to the depositor: *Provided*, That in case a person or persons supplying a contractor with labor or material as provided by the Act of Congress, approved February 24, 1905 (33 Stat., 811), entitled "An Act to amend an Act approved August thirteenth, eighteen hundred and ninety-four, entitled 'An Act for the protection of persons furnishing materials and labor for the construction of public works'," shall file with the obligee, at any time after a default in the performance of any contract subject to said Acts, the application and affidavit therein provided, the obligee shall not deliver to the obligor the deposited bonds nor any surplus proceeds thereof until the expiration of the time limited by said Acts for the institution of suit by such person or persons, and, in case suit shall be instituted within such time, shall hold said bonds or proceeds subject to the order of the court having jurisdiction thereof: *Provided further*, That nothing herein contained shall affect or impair the priority of the claim of the United States against the bonds deposited or any right or remedy granted by said Acts or by this section to the United States for default upon any obligation of said penal bond: *Provided further*, That all laws inconsistent with this section are hereby so modified as to conform to the provisions hereof: And *provided further*, That nothing contained herein shall affect the authority of courts over the security, where such bonds are taken as security in judicial proceedings, or the authority of any administrative officer of the United States to receive United States bonds for security in cases authorized by existing laws. The Secretary may prescribe rules and regulations necessary and proper for carrying this section into effect.

Title XIV.—General Provisions

Text of Law

Repeal Provisions

SEC. 1400.(a) That the following parts of Acts are hereby repealed, subject to the limitations provided in subdivision (b):

(1) The following titles of the Revenue Act of 1916:

Title I (called "Income Tax");

Title II (called "Estate Tax");

Title III (called "Munitions Manufacturers' Tax"), as amended;

Title IV (called "Miscellaneous Taxes").

(2) The following parts of the Act entitled "An Act to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes," approved March 3, 1917:

Title III (called "Estate Tax");

Section 402 (called "Returns of Dividends").

(3) The following titles of the Revenue Act of 1917:

Title I (called "War Income Tax");

Title II (called "War Excess-Profits Tax");

Title III (called "War Tax on Beverages");

Title IV (called "War Tax on Cigars, Tobacco, and Manufacturers Thereof");

Title V (called "War Tax on Facilities Furnished by Public Utilities and Insurance");

Title VI (called "War Excise Taxes");

Title VII (called "War Tax on Admissions and Dues");

Title VIII (called "War Stamp Taxes");

Title IX (called "War Estate Tax");

Title X (called "Administrative Provisions");

Title XII (called "Income-Tax Amendments").

(b) Such parts of Acts shall remain in force for the assessment and collection of all taxes which have accrued thereunder, and for the imposition and collection of all penalties or forfeitures which have accrued and may accrue in relation to any such taxes, and except that the unexpended balance of any appropriation heretofore made and now available for the administration of any such part of an Act shall be available for the administration of this Act or the corresponding provisions thereof: *Provided*, That, except as otherwise provided in this Act, no taxes shall be collected under Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917, or Title I or II of the Revenue Act of 1917, in respect to any period after December 31, 1917: *Provided further*, That the assessment and collection of all estate taxes, and the imposition and collection of all penalties or forfeitures, which have accrued under Title II of the Rev-

venue Act of 1916 as amended by the Act entitled "An Act to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes," approved March 3, 1917, or Title IX of the Revenue Act of 1917, shall be according to the provisions of Title IV of this Act.

In the case of any tax imposed by any part of an Act herein repealed, if there is a tax imposed by this Act in lieu thereof, the provision imposing such tax shall remain in force until the corresponding tax under this Act takes effect under the provisions of this Act.

Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917 shall remain in force for the assessment and collection of the income tax in Porto Rico and the Philippine Islands, except as may be otherwise provided by their respective legislatures.

*Porto Rico
and
Philippines*

SEC. 1401. That section 1100 of the Revenue Act of 1917 is hereby repealed, to take effect on July 1, 1919, and thereafter the rate of postage on all mail matter of the first class shall be the same as the rate in force on October 2, 1917: *Provided*, That letters written and mailed by soldiers, sailors, and marines assigned to duty in a foreign country engaged in the present war may be mailed free of postage, subject to such rules and regulations as may be prescribed by the Postmaster General.

*Postage
First Class
Matter*

Section 1107 of such Act is hereby repealed, to take effect July 11, 1919.

SEC. 1402. That if any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment has been rendered.

*Provisions
Deemed
Separable*

SEC. 1403. That the Revenue Act of 1916 is hereby amended by adding at the end thereof a section to read as follows:

"SEC. 903. That this Act may be cited as the 'Revenue Act of 1916.'"

SEC. 1404. That the Revenue Act of 1917 is hereby amended by adding at the end thereof a section to read as follows:

"SEC. 1303. That this Act may be cited as the 'Revenue Act of 1917.'"

SEC. 1405. That this Act may be cited as the "Revenue Act of 1918."

SEC. 1406. That all persons serving in the military or naval forces of the United States during the present war who have, since April 6, 1917, resigned or been discharged under honorable conditions (or, in the case of reservists, been placed on inactive duty), or who at any time hereafter (but not later

*Compensa-
tion Military
and Naval
Forces*

than the termination of the current enlistment or term of service) in the case of the enlisted personnel and female nurses, or within one year after the termination of the present war in the case of officers, may resign or be discharged under honorable conditions (or, in the case of reservists, be placed on inactive duty), shall be paid, in addition to all other amounts due them in pursuance of law, \$60 each.

This amount shall not be paid (1) to any person who though appointed or inducted into the military or naval forces on or prior to November 11, 1918, had not reported for duty at his station on or prior to such date; or (2) to any person who has already received one month's pay under the provisions of section 9 of the Act entitled "An Act to authorize the President to increase temporarily the military establishment of the United States," approved May 18, 1917; or (3) to any person who is entitled to retired pay; or (4) to the heirs or legal representatives of any person entitled to any payment under this section who has died or may die before receiving such payment. In the case of any person who subsequent to separation from the service as above specified has been appointed or inducted into the military or naval forces of the United States and has been or is again separated from the service as above specified, only one payment of \$60 shall be made.

The above amount, in the case of separation from the service on or prior to the passage of this Act, shall be paid as soon as practicable after the passage of this Act, and in the case of separation from the service after the passage of this Act shall be paid at the time of such separation.

The amounts herein provided for shall be paid out of the appropriations for "Pay of the Army" and "Pay of the Navy," respectively, by such disbursing officers as may be designated by the Secretary of War and the Secretary of the Navy.

The Secretary of War and the Secretary of the Navy respectively shall make all regulations necessary for the enforcement of the provisions of this section.

*District of
Columbia*

SEC. 1407. That the provisions of section 5 of the Act entitled "An Act making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1918, and for other purposes," approved March 3, 1917, relating to intoxicating liquors in interstate commerce, as amended by section 1110 of an Act entitled "An Act to provide revenue to defray war expenses, and for other purposes," approved October 3, 1917, be, and the same are hereby, made applicable to the District of Columbia.

*Contracts
Made with
U. S. after
April 6, 1917*

SEC. 1408. That every person who on or after April 6, 1917, has entered into any contract, undertaking, or agreement with the United States, or with any department, bureau, officer, commission, board, or agency under the United States or acting in his behalf, or with any other person hav-

ing contract relations with the United States, for the performance of any work or the supplying of any materials or property for the use of or for the account of the United States, shall, within thirty days after a request of the Commissioner therefor, file with the Commissioner a true and correct copy of every such contract, undertaking, or agreement.

Whoever fails to comply with such request of the Commissioner shall be guilty of a misdemeanor and shall be punished by a fine of not more than \$1,000, or by imprisonment for not more than one year, or both. *Penalty*

The Commissioner shall (when not violative of the technical military or naval secrets of the Government) have access to all information and data relating to any such contract, undertaking, or agreement in the possession, control or custody of any department, bureau, board, agency, officer or commission of the United States and may call upon any such department, bureau, board, agency, officer or commission for a full statement and description of any allowance for amortization, obsolescence, depreciation or loss, or of any valuation, appraisal, adjustment or final settlement, made in pursuance of any such contract, undertaking, or agreement.

SEC. 1409. That unless otherwise herein specially provided, this Act shall take effect on the day following its passage.

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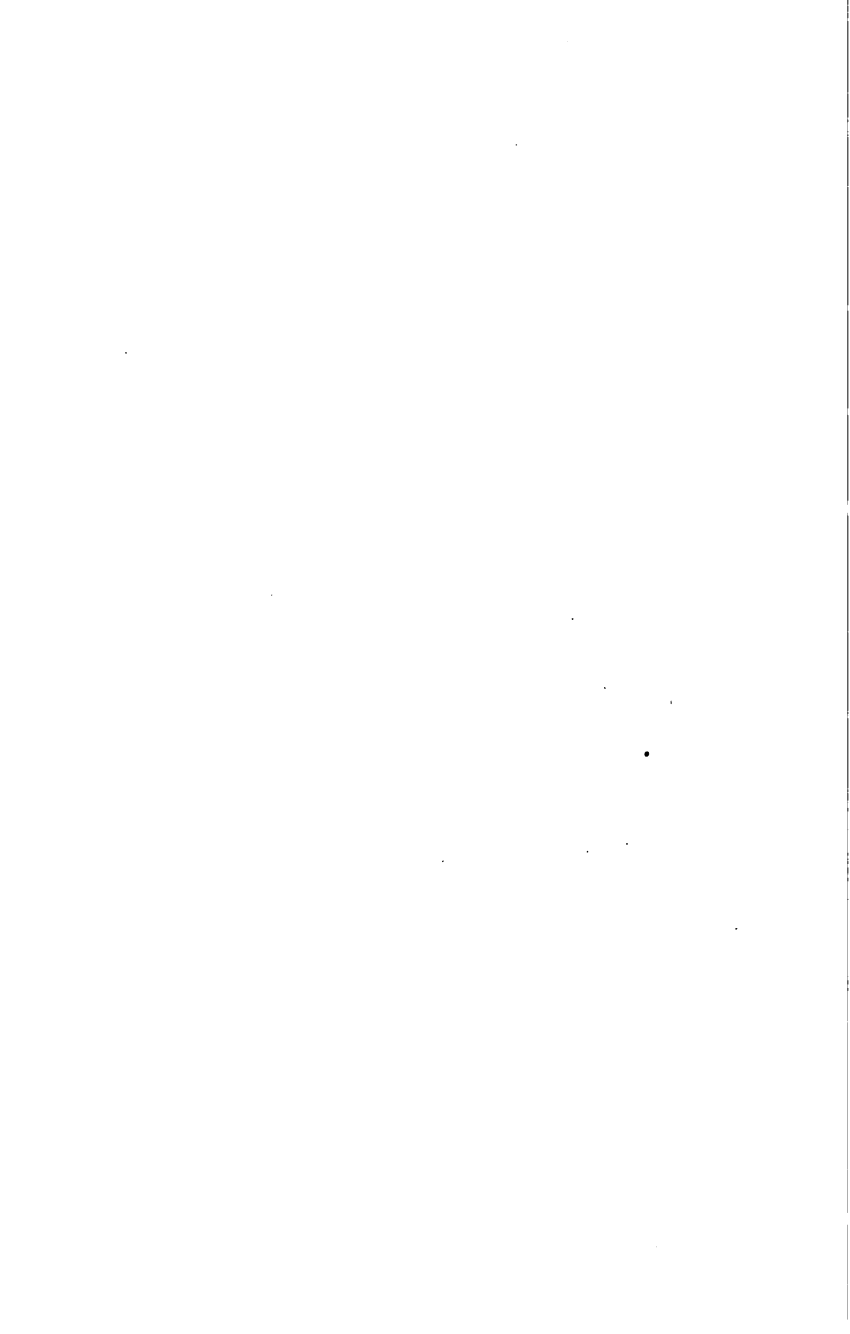
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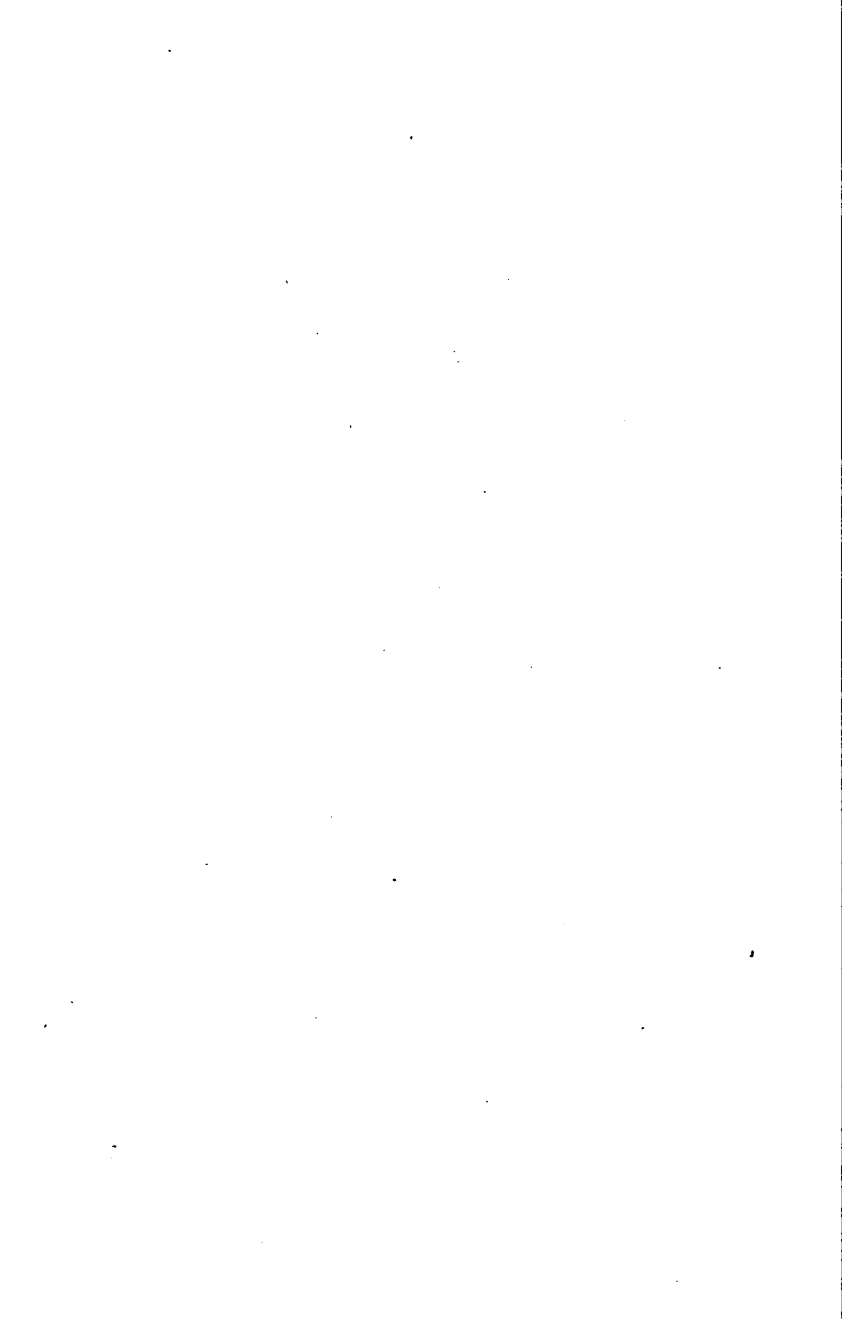
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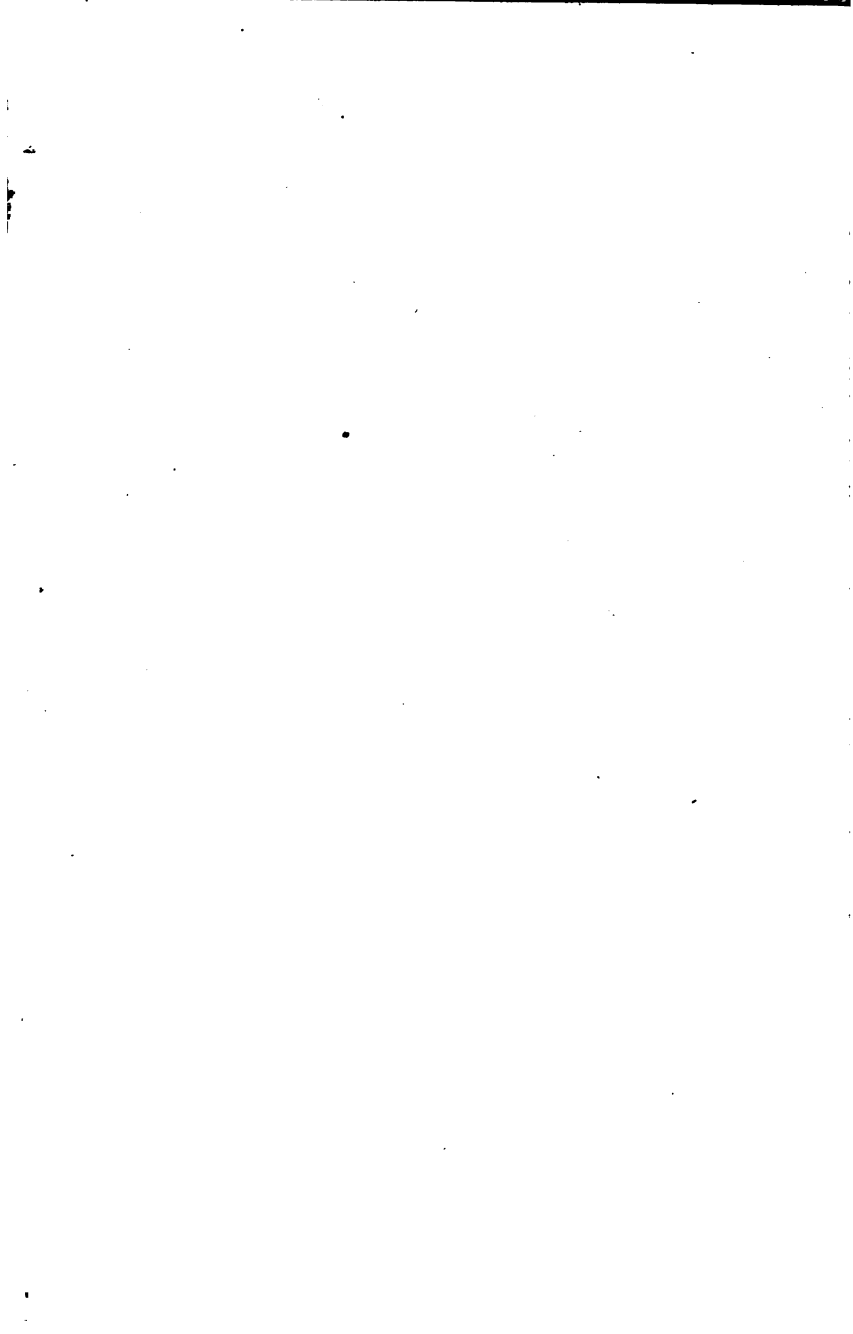
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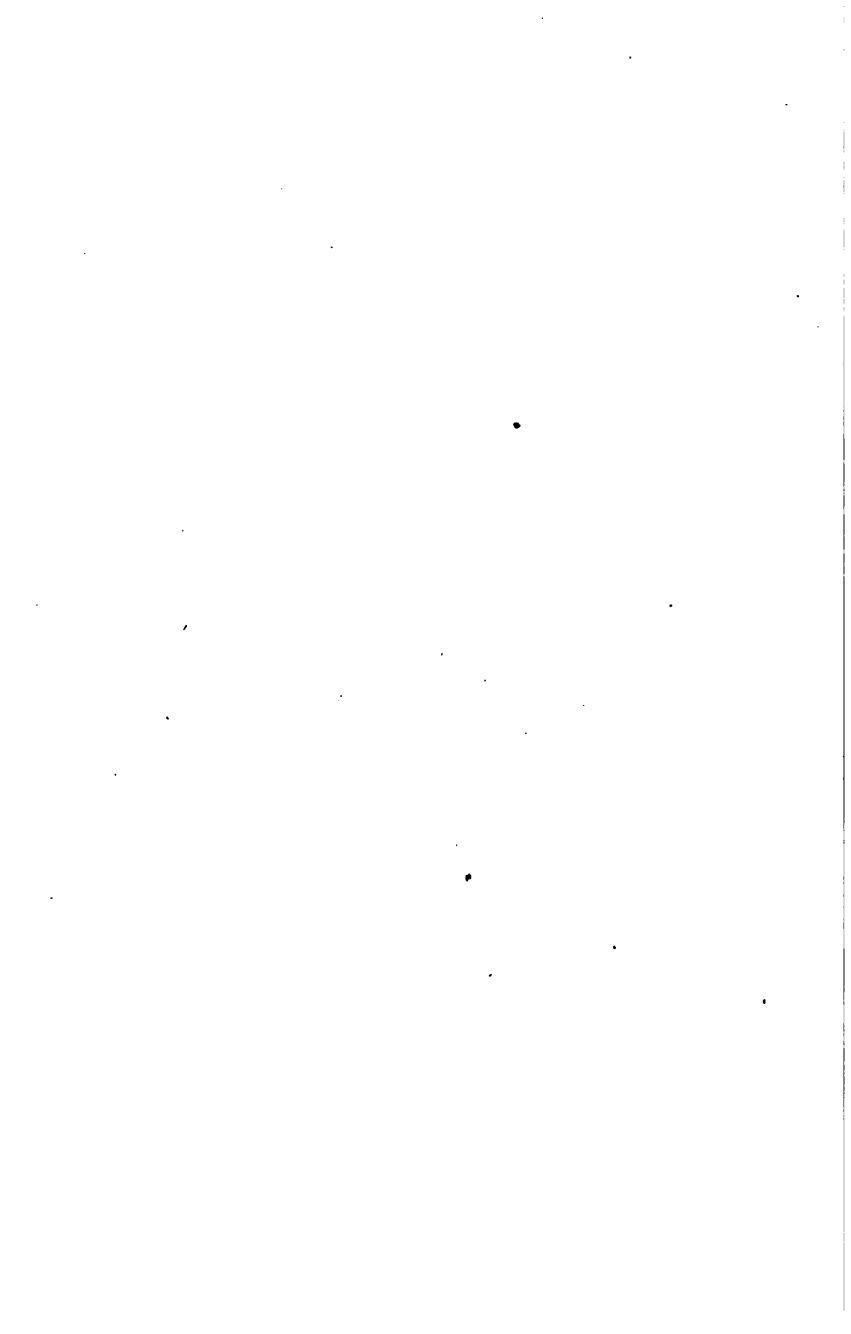
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